

JPRS-CAR-90-003
11 JANUARY 1990



**FOREIGN
BROADCAST
INFORMATION
SERVICE**

JPRS Report

DISTRIBUTION STATEMENT A
Approved for Public Release
Distribution Unlimited

China

19990831 150

REPRODUCED BY
U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL INFORMATION SERVICE
SPRINGFIELD, VA. 22161

Reproduced From
Best Available Copy

DTIC QUALITY INSPECTED 3

China

JPRS-CAR-90-003

CONTENTS

11 JANUARY 1990

INTERNATIONAL

GENERAL

Radio Beijing Assesses U.S.-West Europe Relationship [Beijing International]	1
Roundup of Situation in World 'Hot Spots' [XINHUA]	1
Summary of Third World Political Role in 1980's [XINHUA]	2

SOVIET UNION

XINHUA Cites Soviet Defense Ministry on Weapons Reductions [XINHUA]	4
Report on Soviet Reaction to Baltic Separatist Drive [XINHUA]	4

NEAR EAST/SOUTH ASIA

Prospects for Mideast Peace Viewed as Bleak [XINHUA]	5
--	---

WEST EUROPE

XINHUA Describes Challenges of New EC Presidency [XINHUA]	6
---	---

EAST EUROPE

Hungarian Workers' Party Issues Draft Statement [RENMIN RIBAO 19 Dec]	6
Coverage of Recent Changes in Polish Government [LIAOWANG No 39]	7

POLITICAL

Self-Portrait of a University Student [DA XUE SHENG No 10]	10
Political Culture in Enterprises Emphasized [JINGJI RIBAO 2 Nov]	11
Need to Strengthen Grassroots Party Organizations [NONGMIN RIBAO 20 Sep]	13

ECONOMIC

NATIONAL AFFAIRS, POLICY

Summary of Major Economic Events of 1980's [XINHUA]	15
Examination of State Ownership System [JINGJI YANJIU No 9]	15

INDUSTRY

Proposals To Improve Textile Industry [JINGJI GUANLI No 9]	25
Adjustments Suggested in Management of Enterprise Funds [JINGJI GUANLI]	28
Anhui Port City To Be Developed as Industrial Center [XINHUA]	32
Guangxi Processing Industry Improves [XINHUA]	32
Hubei's Industrial Production Up in November [Wuhan Radio]	32
Liaoning Overheated Industrial Production Slows [XINHUA]	32
Shaanxi Aviation Industry Flourishes [Hong Kong LIAOWANG OVERSEAS EDITION No 49] ...	33
Shanghai Industrial Output Increases [XINHUA]	36
Shenyang To Boost New Technology, High-Tech Industries [XINHUA]	36
Sichuan Industry Realizes Steady Development [SICHUAN RIBAO 9 Nov]	36

FOREIGN TRADE, INVESTMENT

Internationalized Business Management Called Inevitable [JINGJI GUANLI No 10]	37
---	----

ECONOMIC ZONES

Difficulties of Special Economic Zones Analyzed [JINGJI YANJIU No 8]	41
--	----

TRANSPORTATION

Highway Freight Transport Losses Cited [XINHUA]	49
Construction Proceeds Despite Austerity Policy [CHINA DAILY 29 Nov]	49
Meeting Held on Road Construction, Water Transport [XINHUA]	50
CAAC Approves Northwest Civil Aviation Authority [XINHUA]	50
New Fujian Wharf To Handle Taiwan Goods [XINHUA]	50
Guangdong To Establish Express Highway Network [CHINA DAILY 7 Dec]	50
Freeway Planned for Eastern Hainan [Hong Kong ZHONGGUO TONGXUN SHE 23 Nov]	51
Canal To Be Constructed in Jiangsu [XINHUA]	51
Liaoning's Yingkou Port Fulfills Annual Target [LIAONING RIBAO 13 Nov]	51
Qinghai Raises Highway Passenger Transport Fares [Xining Radio]	51
New Shanghai Berths Pass Technical Appraisal [XINHUA]	52
Experts Confer on Building Long-Distance Expressways [XINHUA]	52
Highway Network To Reach Tibet's Medog County [XINHUA]	52
Ningbo City Airport Expected To Open in Spring [XINHUA]	53
Zhangjia Port Begins Second Phase of Construction [XINHUA]	53

AGRICULTURE

Vice Governors Focus on Developing Agriculture [NONGMIN RIBAO 30 Nov]	53
Jilin Reports on Grain Purchasing [JILIN RIBAO 23 Nov]	55
Governor Meets World Bank Appraisal Team [HEBEI RIBAO 4 Nov]	56

SOCIAL

More Rigorous Enforcement of Entry, Exit Controls Planned [RENMIN GONGAN BAO 28 Nov]	57
Academic Sees Continued Need for Confucian Approach [RENMIN RIBAO 10 Nov]	57
Panel of Educators Discusses Failures in Education [QUNYAN No 54]	59
Future of Intellectuals Analyzed [Hong Kong CHING PAO No 146]	66
Cultural Activities 'Thriving' in Past Year [XINHUA]	68
Urban Anthropology Conference Opens in Beijing [XINHUA]	69
'Deceitful Tricks' of Economic Criminals [JINGJI CANKAO 5 Nov]	69

MILITARY, PUBLIC SECURITY

Commemorating Liberation of Southwest [SICHUAN RIBAO 27 Sep]	71
--	----

REGIONAL

EAST REGION

Nanjing Hosts Forum on Clean Government [Nanjing Radio]	73
Jiangsu Prepares for Provincial Party Congress [Nanjing Radio]	73
Shandong CYL Committee Ends Plenary Session [Jinan Radio]	73
Shanghai Party Officials Attend Party Building Meeting [Shanghai Radio]	74

CENTRAL-SOUTH REGION

Pressure Seen Mounting on Guangdong Dissidents [Hong Kong CHENG MING No 143]	74
Guangdong Governor To Replace Head of XINHUA Hong Kong Office [Hong Kong TUNG FANG JIH PAO 4 Jan]	76
Guangdong Calls for Protecting Democratic Rights [Guangzhou Radio]	77

Guangzhou Tackles Pornography Market	
[Hong Kong LIAOWANG OVERSEAS EDITION No 33]	77
Guangdong Holds Meeting on Spiritual Civilization [Guangzhou Radio]	79
Hainan Acts To Inspect, Purge Publications Markets	
[Hong Kong LIAOWANG OVERSEAS EDITION No 33]	79
Hainan Outlines Tasks To Improve Public Security [Haikou Radio]	80
Rapist, Child Abductor Executed in Henan [HENAN RIBAO 5 Dec]	80
Campaign Against 'Six Vices' Under Way in Henan [Zhengzhou Radio]	81
Hubei Departments Urged To Eliminate 'Six Vices' [Wuhan Radio]	81
Shenzhen Prepares for People's Congress Elections	
[Hong Kong HONGKONG STANDARD 30 Dec]	81

SOUTHWEST REGION

Sichuan Opens Conference on Public Security Work [Chengdu Radio]	82
--	----

NORTH REGION

Commentator Calls for Strong Work Among People [RENMIN RIBAO 4 Dec]	82
---	----

NORTHEAST REGION

Jilin Executes Electricity Equipment Thieves [XINHUA]	83
Liaoning Governor Emphasizes Consistent Ideological Work [LILUN YU SHIJIAN No 18]	83
Liaoning's Yinkou City Strengthens Theoretical Education [LILUN YU SHIJIAN No 17]	86
Liaoning Democratic Party Holds Meeting [Shenyang Radio]	88
Liaoning Libraries Double Since 1979 [XINHUA]	88

TAIWAN

Preliminary Analysis of Taiwan's Election Situation [Hong Kong CHIUSHIH NIENTAI No 236] .	89
Vote Buying Linked to Erosion of Public Order [TZULI WANPAO 17 Nov]	91

GENERAL

Radio Beijing Assesses U.S.-West Europe Relationship

OW2512063789 Beijing International Service
in English 0300 GMT 19 Dec 89

[Text] The U.S. power to influence its European allies has been diminishing since the beginning of 1989. At a yearend roundup, Radio Beijing's correspondent in Brussels, Du Ping, reports that a new partnership is taking shape between Washington and Western European countries.

For quite a long time, Washington has been worried about and even hostile to the development of a stronger European Community. It has repeatedly accused the proposed European unified market, set to begin functioning in 1992, of being protectionist in nature. This attitude, however, is beginning to change. Washington has come to realize that European economic integration is beyond its control. So, at the summit of seven industrialized countries in July, U.S. President George Bush took a new approach. He said a more unified European Community would serve as an important force for maintaining stability in Europe. Bush reaffirmed his support for European integrity in early December after his summit meeting with Soviet leader Mikhail Gorbachev.

In the meantime, Western European countries are becoming more independent. In mid-November, about two weeks before the American-Soviet summit, leaders of 12 European countries held an emergency conference in Paris to coordinate their stands and make sure that Washington did not misrepresent U.S. and European leaders. They stress that the superpowers could discuss European problems, but they could not decide European destiny by leaving European countries out of the process. After the Malta summit, European Community leaders held another meeting in Strassburg. French President Francois Mitterrand said that Europe is regaining control over its own affairs and that it will never act fully according to the wishes of the superpowers.

As it [Europe] consolidates its strength, America's power is waning. So now it has to consult with its European allies on many issues instead of posing as chief of the alliance. For instance, at a NATO summit in May, Washington had to compromise with European members on the modernization of NATO's short-range missiles. Before and after the Malta summit, Washington clearly stated it would not propose any unilateral disarmament plan without prior consultations with its European allies. U.S. President Bush promised not to discuss the question of remolding Europe in his meeting with Soviet President Gorbachev. Bush has visited Europe three times since he took office in January. He also holds frequent consultations by phone with leaders of France, West Germany, and Britain. Western Europe says cooperation and consultation within NATO are replacing a

relationship in which European countries will subordinate to the United States. How this relationship shapes policy and action, however, remains to be seen.

Roundup of Situation in World 'Hot Spots'

OW2312122089 Beijing XINHUA in English
0656 GMT 23 Dec 89

["Yearender: 'Hot Spots' Cool But Snags Still Exist in 1989 (by Rui Yingjie)"]—XINHUA headline]

[Text] Beijing, December 23 (XINHUA)—The year 1989 has seen further advances in the trend to find political settlement to world "hot spot" areas, where conflicts started cooling down in 1988.

However, the overall situation is complicated and unbalanced—while breakthroughs have been achieved in some regions, there are still stalemates, confrontations coupled with dialogue, and even intensified bloodshed.

The most prominent breakthrough in the "hot spot" areas was made in southwestern Africa. The successful general elections in Namibia in November indicate that the day for independence in the last colony on the African continent is just around the corner.

Despite some internal frictions which still exist in Angola, the end to the 13-year-old chaos caused by a civil war seems already in sight as a result of the coordination by the June summiteers of the African heads of state.

The past year has seen a continuous increase of those factors favorable for the cooling down of "hot spots."

First, the Soviet Union realized its troops withdrawal from Afghanistan; Cuba started to implement its plan to pull out its troops from Angola, and South Africa also withdrew its soldiers from Namibia.

Therefore, except for Vietnam, whose soldiers have not genuinely and completely withdrawn from Cambodia under the supervision of international organizations headed by the United Nations, the year 1989 is marked by the pullout of foreign troops from the "hot spots," one of the major factors that work toward the ease of tension.

Secondly, countries and groups of states near the "hot spot", areas, supported by the United Nations, have been active in pushing forward the process for reconciliation.

The ASEAN countries helped bring into reality the convention of the Paris international conference on Cambodia. The UN General Assembly this year, by an unprecedented 124 majority votes, adopted a resolution demanding the withdrawal of the Vietnamese troops.

The Arab heads of state also met and set up a tripartite committee for mediating among rivalry groups in Lebanon and to seek unified standpoints to settle Arab-Israeli conflicts so as to expedite the Middle East peace process.

Government heads from 20 African countries also gathered in Zaire to cement a cease-fire agreement between the warring parties in Angola; and leaders of the five Central American nations convened three summits and reached accords on ending the war in Nicaragua and El Salvador and holding general elections in Nicaragua next year.

Thirdly, some conflicting nations in the "hot areas" have made accommodations with each other and tried to end war through political settlements.

In Lebanon, both Moslem and Christian parliamentarians, antagonistic to each other over the past 14 years, finally signed the Taif Accord. Iran and Iraq began to use oil dollars to rebuild their war-torn cities, harbours and oil refineries while their oil production geared up.

Whether the conflicts in the "hot spots" could proceed from cooling down to extinction depends to a large extent on the degree of the superpowers' willingness to hold back from the contention for domination in these areas. The United States and the Soviet Union have adjusted their regional policies over the past few years, but have not halted scrambles, which even have become intense in some regions in 1989.

During the six months after pulling out of Afghanistan, the Soviet Union still supplied materials to Kabul both by air and overland, 75 percent of them being munitions. The United States, for its part, continued to give Afghan resistance forces weapons, including Stinger missiles, with an amount no fewer than had been offered in the past.

Not long ago, U.S. President George Bush exerted pressure on the Soviet Union on the Central America issue, alleging that the Soviet Union had sent sophisticated weapons to Salvadoran guerrillas. The United States, though having pledged not to send military aid to Nicaraguan anti-government forces, yet provided 50-million-dollars worth of "humanitarian" aid instead.

The elements contributing to regional "hot" issues are multiple, including conflicts over interests among antagonistic nations and parties and confrontations among different political, social and religious forces. All this dictates that the ease of tension in the "hot spots" is to go along a zigzag road and the solutions are not so easy to find—a phenomenon that is more evident than before in 1989.

In Afghanistan, the key question lies in whether a coalition government with a broad base can be formed after foreign troops pull out. The Arab-Israeli conflict centers on the issue of land, with a deep-seated root in the long-standing feud between the two nationalities in history.

The hostility between Iran and Iraq comes not only from the disputes over the Shatt-al Arab, but also from conflicts between the Persians and Arabs in the old days, and between the two major religious groups, the Sunni Moslems and the Shi'ite Moslems.

In addition, while it is difficult to get rid of old animosities, new troubles are inevitably to pop up. Looking into

the future, however, it is an irresistible trend to look for political settlements to "hot spot" issues despite the complexity of the process.

Summary of Third World Political Role in 1980's

OW3012145389 Beijing XINHUA in English
1301 GMT 30 Dec 89

["Yearender: Third World Plays More Important Role in International Political Arena (by Chen Jiabao)"]—XINHUA headline]

[Text] Beijing, December 30 (XINHUA)—The Third World's ever-more important role in the international political arena is a recognized highlight among developments of the wanning decade.

Furthermore, Third World countries have increasingly participated in solving significant international affairs, eased the tensions of regional hot spots and actively opposed outside interference in power politics, thereby becoming the mainstay in defending world peace.

Examples of this increased clout on the international scene in the changing world include:

First, gone forever is the domination of the world by a coalition of superpowers, thus automatically giving Third World countries more room to speak out about international affairs.

At the U.N., Third World influence is increasing. In this currently influential international organization with 159 members, Third World representatives form an overwhelming majority. Within the U.N., this majority is a strong force in maintaining peace and upholding justice, thereby preventing the superpowers and the strong-arms from doing whatever they please as they have done in the past.

Any of the many problems regarding regional hot spot in the 80s, such as those concerning Afghanistan, Kampuchea, Lebanon, the Arab-Israeli conflict, apartheid in South Africa, Palestine, Namibian independence, and the long-time North-South debt issue, brought to the U.N. agenda for debate and discussion, carried resolutions in favor of the aggressee and oppressed countries. Thus attention was focused on the causes of Third World countries at large and the effort on behalf of Third World countries in accomplishing various U.N. missions.

Development and expansion of the non-aligned movements in political struggles was another area in which Third World countries showed strength of purpose.

The Non-Aligned Movement (NAM), at its summit meetings and during many sessions of the U.N. General Assembly, as well as other international conferences, has forwarded many resolution bills in favor of the national security, independence, and economic development of the Third World countries, thereby fighting for justice as well as for their interests and rights.

At the 44th U.N. General Assembly held not long ago, for instance, some NAM countries successfully drafted resolutions regarding the international community's aid to Third World countries, hoping to improve the social environment, enhancing North-South dialogue, and coordinating drug-detering action. Although these drafts met with opposition by a certain superpower or by several developed countries, they were finally passed with an overwhelming majority of votes because they reflected the wishes of the developing countries.

Because NAM has reflected in many international issues the wishes of the developing countries, its membership has grown to 102 in the 1980s from 25 in the 1960s, when it was founded. Now it boasts two thirds representation and two fifths of the total population in the world. Some developed countries, who formerly took little account of the NAM, began sending observers to its summit meetings in the 1980s.

Secondly, Third World countries, even those now weak or of small geographic area, will have concerted support from a coalition of other Third World countries. Thus power politics leading to injustice, aggression, or interference by greater powers or regional leadership will be thwarted.

Since the Soviet invasion of Afghanistan, the U.N., under the push of the Third World countries, passed countless resolutions demanding an immediate pullout of Soviet troops from that country.

The NAM and the Organization of the Islamic Conference (OIC) also passed similar resolutions in many instances supporting the unswerving struggle by the Afghan people and the mediation of the U.N., resulting finally in the parties concerned coming to an agreement. Thus the Soviet Union was forced to pull out all of its troops from that country last February.

After Vietnam invaded and occupied Kampuchea, the U.N. with an overwhelming majority, passed many resolutions demanding the pullout of the Vietnamese troops.

In December, the United States brazenly invaded Panama provoking strong condemnation from the Third World. The reaction from Latin American countries was particularly strong, with some recalling their ambassadors from the U.S., and others offering material and humanitarian aid to the Panamanian people. The U.N. Security Council held an emergency session to discuss the U.S. invasion.

What is worth mentioning is that some Western countries, backed by the United States, raised a bill of "freedom of speech and peaceful assembly" at the Third Committee (Social, Humanitarian and Cultural) of the U.N. assembly in November this year. But the bill, designed to interfere in the internal affairs of the Third World countries, immediately met strong objections from many Third World countries voicing strong objection. Western countries then attempted to kill the

amendments through voting procedure, but only managed to lose face when the amendments were confirmed by a vote of 85-30.

Thirdly, Third World countries are more frequently serving as mediators and thus gradually solving regional disputes and conflicts through grass-roots organizations by preventing big brother interference from outside.

In the 1980s, frequent disputes or conflicts within Third World countries arose over border and ethnic issues left over by history. In settling those disputes, regional organization played an active role through mediation.

The more than 20-member Arab League met often during the past decade and did much toward mediating the Iran-Iraqi war.

Through joint efforts with the U.N., the Arab League finally helped bring the 10-year-old Gulf war to an end. Now, it is continuing mediation between the two former warring states, hoping for speedy negotiations toward a final settlement of disputes.

The Organization of African Unity (OAU) is also working toward mediation in the Chad-Libya border dispute and in some other border conflicts in Africa. It has also staged a unremitting struggle at the U.N. for the independence of Namibia and against the apartheid system of racial segregation in South Africa.

Since its establishment more than 20 years ago, the OAU has helped nearly 20 African countries breakaway from colonial rule, develop national economies, and maintain the fruits of independence, thereby enjoying the trust and support of many African countries.

Meanwhile, the Contadora group, composed of Mexico, Panama, Colombia and Venezuela, made great efforts in easing disturbances in some Latin American nations. In recent years, some Latin American heads of states have held frequent consultations on the regional issues and called on the superpowers to stop their interference in the internal affairs of such Latin American countries as Nicaragua and Salvador.

Also at this time hindsight reveals that the Third World countries, which became more and more mature politically in the past decade, played an increasingly more important role in easing world tension and safeguarding world peace.

However, the source of world tension and turbulence still exists. The superpowers' arms race is still going on; hegemony and power politics are still making trouble in Third World countries; regional conflicts are still continuing; and external interference and internal problems make long-standing "hot spots" in Third World countries an ever-present irritant.

In Afghanistan, the civil war is becoming all the more fierce after the Soviet troop withdrawal in February this year; in Cambodia, flames of war are still unabated because Vietnam lacks sincerity in its relationship to

solve the Kampuchean issue; the Israeli expansionism with the backing of superpowers is still blocking the realization of national self-determination for the Palestinian people; the civil war in Lebanon is still going on; there still exists many unstable factors in southern Africa, especially the Pretoria regime's apartheid system; and American troops invaded Panama in December this year after the country saw an aborted mutiny two months prior to that.

World political situations are still not stable in some Third World countries in Central America, Latin America, Mid-East, Africa and Asia. The situation in the Philippines refuses to calm down completely after the sixth coup in that country since President Corazon Aquino came to power in 1986.

In respect to the economy, difficulties facing the Third World countries are particularly serious. By the end of 1989, the developing countries' debt to the developed countries amounted to 1.3 trillion U.S. dollars. North-South debt negotiations bogged down into a stalemate. Meanwhile, capital flow from Third World countries to developed countries has become increasingly severe.

All in all, at a time when the decade of the eighties is on the way out and the new decade emerging, the general trend is one of a leaning toward peace and dialogue, but it doesn't mean peace prevails throughout the world. The world is still faced with the arduous task of establishing a new international political and economic order. In this struggle, Third World countries will continue to play a greater part in global trends as they expand and strengthen their forces.

SOVIET UNION

XINHUA Cites Soviet Defense Ministry on Weapons Reductions

*OW0101195690 Beijing XINHUA in English
1556 GMT 1 Jan 90*

[Text] Moscow, January 1 (XINHUA)—The Soviet Union has destroyed 1,498 intermediate-range nuclear missiles by the end of last year, the Soviet Defense Ministry said here today.

The ministry said the figure accounted for 81.1 percent of the missiles to be destroyed under the treaty on scrapping medium- and shorter-range nuclear missiles signed by Soviet leader Mikhail Gorbachev and former U.S. President Ronald Reagan in Washington in December 1987.

At the same time, 555 missile launchers have been destroyed, representing 67.2 percent of those that should be eliminated, the ministry added.

The ministry also disclosed that the U.S. side has eliminated 451 intermediate-range nuclear missiles and 92 launchers, accounting respectively for 53.3 percent and 31.8 percent of those to be destroyed.

So far, the ministry added, the two superpowers have completed the elimination of shorter-range missiles and their launchers.

Meanwhile, 47 of the 79 Soviet mobile missile bases have been destroyed and three of the nine U.S. bases of the same category have been eliminated, it said.

The Soviet Union began destroying its medium- and shorter-range nuclear missiles from July 22 and August 1, 1988, respectively. Under the Soviet-U.S. treaty, the Soviet Union will have scrapped 889 pieces of medium-range missiles and 957 pieces of shorter-range missiles, while the United States will have eliminated 859 missiles, by May 1991.

Report on Soviet Reaction to Baltic Separatist Drive

*OW0101022590 Beijing XINHUA in English
0124 GMT 1 Jan 90*

[Text] Washington, December 31 (XINHUA)—Soviet Foreign Ministry spokesman Gennadiy Gerasimov indicated today that the Soviet Union would not allow the three Baltic republics to go independent.

Gerasimov, appearing on the NBC-TV's "Meet the Press" program, said that they now have all the opportunities to go their own way "with a certain limit". "The limit is to have this union, and the whole union, and not to split," he added.

"Nobody actually likes separatism," the Soviet spokesman noted. "Nobody talks in your country about Texas being returned to Mexico, and so on. So every country wants to be as it is, and not to be split."

Commenting on the pact between Nazi Germany and the Soviet Union which led the three Baltic states to join the Soviet Union nearly half a century ago, Gerasimov emphasized that "the treaty, itself, didn't violate any rule of international law".

"It was a bad treaty, it was not a thought-through treaty," he said. "But from the legal point of view, it was okay. What was wrong was the secret protocol to the treaty."

Referring to the tendency of separation by the Baltic communist parties from the Soviet Communist Party, Gerasimov said that "we are not talking about using force, but we are talking about clearing the matter up".

"Gorbachev complained during the last plenum of the Central Committee that the message didn't really come through to the people of that republic," he said. "So he's going there and other leaders are going there to talk. And we must wait for the results of these talks."

The spokesman pointed out that it means that they must persuade the leaders of the local communist party that "they belong to the Communist Party of the Soviet

Union, that their break is against the rules of the party and that it is against also their real interests".

He said that "we ask the republics to stay in our union, the Union of the Soviet Socialist Republics, and to live in a real federation".

"They will have real economic independence and a lot of political independence, but still it will be the union," the Soviet Foreign Ministry spokesman said.

The United States has never recognized the joining the Soviet Union by Lithuania, Latvia and Estonia after World War Two and has allowed representatives of the three emigre Baltic regimes to maintain legations in Washington.

During their Malta summit earlier this month, President George Bush reportedly told Soviet President Mikhail Gorbachev that using force to block non-violent "independent movements" in the three Baltic republics would damage U.S.- Soviet relations.

NEAR EAST/SOUTH ASIA

Prospects for Mideast Peace Viewed as Bleak

OW1912065289 Beijing XINHUA in English
0243 GMT 19 Dec 89

["Yearender: Peace Wheel Spins in Middle East Quagmire (by Zhou Zexin)"]—XINHUA headline]

[Text] Cairo, December 19 (XINHUA)—Palestinian uprising in the Israeli occupied territories, policy changes by the Palestine Liberation Organization, and a flurry of diplomatic moves have created a new atmosphere for efforts to heal the long running sore of the Middle East conflict.

The uprising flared two years ago when the Palestinians in the occupied territories could no longer tolerate Israel's apartheid and oppression. They rose in constant protest against the occupation.

Over the past two years, nearly 1,000 Palestinians, mostly teenagers, have been killed, 64,000 detained and many homes destroyed. Yet, as the suppression intensified, the stone-throwing demonstrations and strikes increased.

The prolonged uprising opened up differences between the Israeli leadership. The Labor Party headed by Vice-Premier Shim'on Peres advocated "land for peace", threatening to resign from the coalition government spearheaded by hardliner Yitzhaq Shamir.

The international community has revealed great sympathy for the Palestinian uprising and has shown it is anxious for a just solution to be reached.

The PLO, led by Yasir 'Arafat, in a timely move, readjusted its policy a year ago by announcing recognition of Israel's right to exist and endorsing U.N. Security Council Resolutions 242 and 338.

Its pragmatic policy won international support, reflected in the recognition of the state of Palestine by 104 countries in the year after it was proclaimed.

In June this year, the European Community's summit for the first time called for the PLO's participation in the peace process and urged Israel to recognize the Palestinian people's right to exercise self-determination.

Over the past year, the main diplomatic drive has been aimed at getting Israel to the negotiating table with the PLO. But this has been of no avail.

Israel, in a plan unveiled by Prime Minister Shamir last April, has been seeking talks only with the Palestinians in the occupied territories. Under this plan, elections would be held to choose Palestinians to negotiate for limited self-rule.

In September, Egyptian President Husni Mubarak officially presented his 10-point peace plan based on the principle of "land for peace". This sidesteps such sensitive issues as PLO representation and the Palestinian peoples' right to self-determination.

Following this, U.S. Secretary of State James Baker put forward a five-point plan designed to initiate Palestinian-Israeli talks and open the way for Shamir's election scheme.

Finally, the Israeli Government accepted Baker's plan but only on condition that the PLO be excluded from any talks, direct or indirect, and that Israeli-Palestinian talks were limited to the question of elections.

But the PLO, the sole legitimate representative of the Palestinian people, insists on having the right to form a delegation for any talks and that the agenda should be open and unconditional.

Egypt has been mediating between the U.S. and the PLO and is anxious to revive the peace process. Because of this, it conditionally accepted Baker's plan early this month.

Shamir's election plan for limited self-rule and his stubbornness over the PLO clearly demonstrates Israel's continuing ambition to retain control of the occupied territories simply by subduing the two-year-long uprising.

The United States has shown no sense of urgency in its efforts for a Middle East settlement.

The Bush administration has, since coming to power in January, made some positive statements on the issue, but its actions do not match its words. Three times this

year, it blocked U.N. Security Council resolutions condemning Israel's handling of the Palestinian uprising in the occupied territories.

A latest example was its threat to withdraw funding from the United Nations if the Security Council decided to upgrade the PLO's status in the world body.

The foreign ministers of Egypt, Israel, and the United States are scheduled to meet in Washington at the start of next year to discuss details for Palestinian-Israeli talks.

However, as the positions of Israel and the PLO remain as far apart as ever, the prospects for peace process look equally bleak.

Without a fundamental change in Israel's attitude towards the PLO, no breakthrough can be expected in the foreseeable future.

WEST EUROPE

XINHUA Describes Challenges of New EC Presidency

*OW0101075790 Beijing XINHUA in English
0724 GMT 1 Jan 90*

["Round-Up: Ireland Braces for Challenging Agenda Facing Its EC Presidency" by Yang Yanping—XINHUA headline]

[Text] London, January 1 (XINHUA)—Ireland, whose EC membership is central to the conduct of its foreign policy, assumed the rotating presidency of the Council of Ministers today, to be faced with the most challenging agenda since it joined the group in 1973.

Ireland took over its fourth EC presidency at a crucial juncture on the road to the single market scheduled for the end of 1992, and the six-month tenure is likely to prove to be the most uphill one, observers say.

"It is perhaps the most challenging agenda that has been set for any member state," a senior government source said last month.

With the deadline for the single market program just three years away, the vested interests of various EC governments seem to have combined to slow the 1992 plan. It is fair to observe that Ireland will face the task of picking up the baton, helping revitalize the 1992 program and ensuring real progress on the road to the single market.

The Irish presidency also arrived at a time when the Community faces the mounting challenge of framing a longer-term response to the momentous events in Eastern Europe, the observers add.

There are concerns that the political energies and financial resources of the Community could be diverted away

from the 1992 project because of the events in Eastern Europe, for the West is determined not to let the opportunity slip.

As well, there is speculation that West Germany might become more interested in German unification than European union.

The main workload of the Irish presidency is now set to be preparation for an EC inter-governmental conference scheduled for December 1990 in Italy. The go-ahead for the conference was given by the EC Strasbourg summit last month, and the gathering will clear the legal hurdles in the way of the last two stages of Economic and Monetary Union (EMU) and decide to amend the Treaty of Rome.

EMU, as envisaged by Jacques Delors, president of the EC Commission, involves the EC operating as a single economic area with, in addition to the free movement of goods, services, capital, and people planned for 1992, a single currency and highly coordinated economic policies.

During the Irish presidency, an intensive review of the economic policies of member states will be conducted in an effort to frame a common economic policy. There will also be a detailed examination of the European Commission's report on the benefits and drawbacks of EMU.

With both tasks in hand, the Irish Government hopes to present an interim report on preparations for the conference at the Dublin EC summit in June.

The Irish presidency will also see the continued process of the single market. Among other things, Ireland hopes to score the greatest possible achievements in the free movement of people within the EC.

In helping coordinate the EC response to the events in Eastern Europe, Charles Haughey, the Irish prime minister, will seek to engage, in a hurry of shuttle diplomacy with bilateral meetings with some East European leaders and possibly with Soviet President Mikhail Gorbachev.

Ireland is also expected to come up with bold initiatives on the escalating drug trafficking and environmental problems in Europe.

Haughey has identified the environmental issue as his main personal priority for the presidency, which he described as the "green presidency." He hopes the EC will formulate a coherent policy on the environmental problem in Europe.

EAST EUROPE

Hungarian Workers' Party Issues Draft Statement

*HK2212045589 Beijing RENMIN RIBAO in Chinese
19 Dec 89 p 4*

[XINHUA report: "Former Hungarian Socialist Workers' Party Holds Congress"]

[Text] Budapest, 17 Dec (XINHUA)—Some representatives of members of the former Hungarian Socialist Workers' Party reconvened the party's 14th congress here.

The Hungarian Socialist Workers' Party had already announced that the party was reorganized as the Hungarian Socialist Party at its 14th (extraordinary) congress held in the beginning of October. However, some party members were opposed to this decision and insisted on continuing the activities of the Socialist Workers' Party.

In his speech, Grosz, former general secretary of the Hungarian Socialist Workers' Party, stressed that the Socialist Workers' Party has not been disbanded, but still exists and carries out activities. At present, a total of 65,000 members have remained in the party.

The congress said in a draft political statement that many members of the Socialist Workers' Party oppose the decision made at the party congress in October to change the name and nature of the party.

The draft statement holds that Hungary is experiencing a serious crisis, its economy is rapidly deteriorating, its political life is comprehensively turning to the right, and forces hostile to socialism are becoming more active. The draft statement holds that "under this situation, the vital task facing us is to check the development of such process."

The congress decided to discuss the draft political statement at the second stage of the party congress early next year. Before it closed, the congress elected the party's new Central Committee and other new leading bodies. Thurmer Gyula was elected chairman. He is former foreign affairs adviser to Grosz, former general secretary of the Hungarian Socialist Workers' Party.

Coverage of Recent Changes in Polish Government

900N0177A Beijing LIAOWANG [OUTLOOK] in
Chinese No 39, 25 Sep 89 pp 44-45

[Article by Jing Wuwu (2529 0543 0710): "Major Turn in Poland's Political Situation"]

[Text] Recently, the officials and the press of Western countries have discussed with keen interest Poland's political situation. Mazowiecki, the principal adviser of Walesa, chairman of the trade union Solidarity, was appointed premier of Poland's new government. Receiving instructions to form a cabinet, he drew a great deal of interest. They think that with a noncommunist leading the government there has appeared an "extremely ideal situation" in Poland's politics and that it marks the "beginning of a new era in Poland," saying that it provides for the West "another excellent opportunity for a European blueprint" and so forth.

The composition of Premier Mazowiecki's government was approved on 12 September after discussion in Poland's Parliament. Of the 23 vice premiers and ministers in the new government, 12 are from Solidarity, 4

are from the United Workers Party, 4 are from the United Peasants Party, and 3 are from the Democratic Party. This is the first government in the more than 40 postwar years in Poland and Eastern Europe's socialist countries in which a noncommunist is the leader and the Communist Party has a minority position in the cabinet.

The changing of hands in the cabinet leadership, in which an opposition faction whose activities had been banned since 1982—Solidarity—rose to power, was the result of the sudden change in Poland's domestic situation and the international situation in recent years, the struggle between various political forces, compromises, and maneuvers among various political groups.

In recent years the United Workers Party, faced with difficult political and economic situations, has carried out reforms of the economic and political systems in an attempt to open up a "Polish socialist path." As "a bold historical experiment" in reform of the political system, the Polish party, beginning in the second half of last year, proposed that in Poland there be put into effect the "principle of political pluralization and trade union pluralization," in an attempt "to incorporate into the political structure of the socialist system" the "constructive opposition factions," in the hope that in state affairs there would be "common participation, common management, and common responsibility." Therefore, there was in January this year the "resolutions on political pluralization and trade union pluralization" passed by the Polish party's Central Committee's plenary session; there was between February and April the "roundtable conference" held by political parties and groups and by former Solidarity representatives, and the restoration, after reregistering, of the legal activities of Solidarity, as well as the elections, based on the "roundtable conference" agreement, in June to the lower and upper houses of parliament.

During the postwar period of the Polish people's regime, the Polish United Workers Party has always held political power jointly with the United Peasants Party and the Democratic Party. In Parliament this ruling coalition had more than 80 percent of the seats. To put into effect the "political pluralization" principle and "parliamentary democracy," at the above-mentioned "roundtable conference" the representatives of all sides agreed to add a senate, or upper house of parliament, to the state power organs, in which the senators would be selected through "free elections"; and in one of the state's organs of power—the lower house of parliament—the seats would still, according to the usual practice, be distributed in advance. The power alliance headed by the United Workers Party made a concession, agreeing to let the people in the opposition factions, of which Solidarity was the core, and in the nonparty factions to have 35 percent of the seats in the lower house. The proportion of seats for the alliance was reduced to 65 percent, of which the United Workers Party made the most concessions, its seats being reduced from 53 percent of the total seats in the lower house to 37.6 percent.

However, in the June general election Solidarity won a total victory, exceeding the United Workers Party's estimate. It not only helped draw in all the (35 percent) seats of the people in the opposition factions and the nonparty factions in the lower house distribution, but also in the "free election" it got 99 percent of the seats in the upper house or senate. The results of this general election once caused a deadlock on the number of presidential candidates after the election because of Solidarity's objection, and what was more important, it directly affected the composition and the leadership of the new government.

In line with the revised Constitution after the "roundtable conference," the premier of the Polish Government is to be nominated by the president and decided by vote in the lower house. Before the general election, Solidarity's election campaign program held that even if Solidarity got all 95 percent of the seats distributed to people in the opposition factions and the nonparty factions it would "still be an independent minority" and thus "could not form a government."

After the June general election, Jaruzelski, first secretary of the United Workers Party, through a series of complications, by one vote was elected Poland's first president after the restoration of the presidential system. After being elected president, Mr. Jaruzelski immediately consulted with the political parties and groups on the choice for premier of the new government. During this consultation Solidarity firmly rejected the president's request in which he hoped that the opposition factions would participate in a "grand coalition government" led by the United Workers Party. It insisted that "the president come from the United Workers Party and the premier come from Solidarity," maintaining that Solidarity should form the government and saying that this was the "only rational policy decision" that was "made clear" by the results of the 6 June general election (Walesa's 24 July statement). On 2 August, with a slender majority of the votes, the lower house, after President Jaruzelski's nomination, elected Kiszczak, member of the United Workers Party and minister of internal affairs, to be the premier. In the election all Solidarity members in the lower house cast votes in opposition. Afterward the Solidarity members of Parliament refused, as one, to acknowledge the new premier elected by the lower house. On 7 August Solidarity chairman Walesa issued a statement "again clearly opposing" the formation of a government by Kiszczak and formally trotted out Solidarity's plan for formation of the cabinet, which proposed that the United Workers Party be excluded and that "a government be established on the basis of an alliance between Solidarity, the United Peasants Party, and the Democratic Party." Premier Kiszczak many times invited Solidarity to take part in the "grand coalition government" headed by him. All the invitations were rejected for the reason of "opposition to one-party political monopoly."

The United Workers Party indicated its objection to Walesa's plan for formation of the cabinet. It called it a

"sabotage of the roundtable conference agreement" and a "sabotage of the ruling alliance's formation of the government," and a "setting up of a new obstacle to Kiszczak's attempt to establish a new government." In the middle of August, Rakowski, the new first secretary of the United Workers Party, made speeches at a meeting of Polish party parliamentary member groups and then at a meeting of the party secretaries of more than 200 large industrial enterprises, pointing out that Solidarity "was accelerating its seizure of power" and maintaining that in establishing a government led by noncommunists the "objective is the complete takeover of power in Poland."

Also, at the same time, Solidarity and the United Peasants Party and the Democratic Party, which had been parties allied to the United Workers Party for many years in Parliament, discussed the question of aligning and jointly forming a cabinet. On 16 August the parliamentary member groups of these three sides passed a draft resolution deciding that "the parliamentary alliance of the United Peasants Party, the Democratic Party, and Solidarity could form a government led by Walesa." Different from Walesa's 7 August plan, this plan advocated the inclusion of the United Workers Party, and said that in Poland "all political forces could send representatives" to take part in the coalition government led by Solidarity. Therefore, a new parliamentary alliance, composed of Solidarity, the United Peasants Party, and the Democratic Party, was formed and the original ruling alliance broke apart. In Parliament the seats of the new alliance expanded to 57.4 percent, while those of United Workers Party accounted for only 37.6 percent. In the balance of power in Parliament, there had occurred a tilt greatly disadvantageous to the United Workers Party. Under these circumstances Kiszczak, because his formation of a cabinet was blocked, finally resigned from the post of premier on 17 August. After 2 days President Jaruzelski nominated Mazowiecki as candidate for premier, and on 24 August Parliament approved the nomination.

The former political opposition factions rose to the ruling position, and the United Workers Party lost its power to lead the government. This major change was welcomed warmly by the countries of the West. After Mazowiecki was appointed premier, the U.S. Government immediately issued a statement saying that this was "an extremely ideal situation" and "a major result" of Bush's diplomacy. Officials in London and Paris also pointed out that this "was of historical significance" and "was a decisive period in Poland."

The reactions of the Soviet Union and the socialist countries of Eastern Europe varied. A spokesman for the Soviet Ministry of Foreign Affairs said that this incident was Poland's internal affair and it would not be appropriate for him to comment on it. However, he praised the new government's indication that it would continue to carry out its Warsaw Pact obligations, saying that this "showed wise judgment."

The great changes in Poland's internal situation are bound to have a major effect on Poland's internal and external principles and policies in the future. On 12 September, Premier Mazowiecki announced in Parliament his administrative program. He stressed that the government he leads faces two major tasks: One is to "transform the country's economy" and the other is to "extricate the country from economic disaster." He added that his government would "make changes in the economic realm,"

reform the economic system and the ownership structure, and put into practice in Poland "the effective modernized market economy of the developed countries." With regard to foreign policy, Mazowiecki said that his government would abide by Poland's obligations to the alliance of the Warsaw Pact, and "hopes to handle its alliance relationship with the Soviet Union in line with the principle of equality of rights and respect for sovereignty" while at the same time "being completely open to the West."

Self-Portrait of a University Student

90ON0194A Beijing DA XUE SHENG [UNIVERSITY STUDENT] in Chinese No 10, 10 Oct 89 pp 34-35

[By Zhao Yuexin (6392 2588 2450), Northwest University]

[Text] I Am a Wolf

Yesterday I went to the library reading room. With her eyes fixed on my identification photo, the concierge, an old lady, asked me: "Is this you?" "No," I replied in a teasing, but assured tone, "this is not me. The person on the photo died last year. He was killed by a German, who knocked him down with two hardcover books." Seeing the baffled, but somewhat stirred-up expression on her face, I could not help but feel an indescribable joyfulness in my heart. All of a sudden, I smiled at her in the way I imagine a wolf would. She responded with a similar smile, as did others in the reading room.

"Well, who are you then?" she asked.

Who am I? "I am a beetle." I really hate this kind of feeble and passive answer with uttermost disgust. A beetle is so vulnerable that anyone can kill it without much effort. Man wipes it out in a similar manner as he crushes a bedbug with his shoe.

I can only identify myself with a wolf.

My existence came long before I became a wolf. I acquired my character after I had come into being.

I think of myself as a wolf because at the bottom of my heart I love this world as well as the man living in it.

What kind of things do I enjoy? For me, everything makes me feel happy, whether it is success or setback, joyfulness or suffering. However, nothing gives me more pleasure than adventure and creation. Therefore, I enjoy adventure and creation the most. I compare myself to a sampan drifting freely about on water.

My happiest moment also happens to be the most dangerous moment. On such an occasion, fluttering my hair like a wolf, with my ears perking up, I become fully alert and radiant. My eyes become piercingly bright, sending their wolflike green reflection into the darkness of the night. One can tell from the gaze of my eyes that there is pride as well as independence in a beast of prey.

Well, let me tell you about myself.

I am a wolf, a wolf that cannot tolerate living a meaningless life.

I possess such a vitality for life and embrace it with all my heart.

Often, as I stand high on a hill after letting the soul of life go out of my body, I will look downward over my life, learn to appreciate it, and then experiment with it again and again.

I know that I am mortal because I am a living organism. On the other hand, I also realize that such a law as revealed in the saying "Dust thou art and to dust returneth [therefore a living organism is mortal]" is true only in the case of human flesh. The law somehow loses its validity when it is applied to my soul.

Neither enjoyment nor suffering is the path or goal of my destination. On the contrary, it is action, the fresh, daily action of tomorrow and the next day, and the day after, that will carry me forward in progress toward my destination.

Maybe one day I will be exterminated. However, I will never retreat in defeat. Unlike a stray cur, the animal bearing my resemblance, I would never flee from a strong enemy in disgrace with my tail tucked between my legs. The dogs are scum!

I am laughing with joy all the time, whether it is a time when I sing heartily or walk alone in silence.

When my eyes meet the sun, my heart is filled with light. With sunshine in my heart, even in the darkness I become radiantly bright.

To the holy altar I would like to bring the sacrifice of food and drink left over from my meal. To the holy altar I would like to pray for the fulfillment of my "desire" to break away from bondage and to see the light of the day once more.

My eyes are filled with hatred when I see those seemingly goodhearted redeemers advocating the theory of stability of life. According to their theory, brave adventure, prolonged skepticism, relentless condemnation, and persistent forging ahead are nothing but evil. Such sugar-coated deceitfulness has left so much hatred in my heart that I long to turn them into my slaves. In anger my blood will be boiling, my teeth will be gnashing, and my eyes will be popping. I, the wolf, am ready and in a position to charge.

A voice echoes in my heart: Alas, you rotten preachers, how dare you make such a statement that only you are the ones trying to tolerate the world while it is lucky that the world has tolerated you, you blasphemers!

Take my word for it; someday if I die, I will be murdered by these seemingly goodhearted redeemers. They are the murderers.

For me, living a cowardly life is no more than a "slow suicide."

Living by my book, only fearlessness and diligent work, pursuit of knowledge and strong desire to improve life can be called goodheartedness.

With talent and willpower, I am determined to create something new and make my dream come true. Through desert, rocks, and thorny undergrowth, I move forward with my chin up high.

Neither pessimism nor groundless hope belongs to my life. Despite setbacks and failure, I will forever keep forging ahead, as progress has no end. If I ever come to a stop, that is because I just need a little rest. Only in the marathon of infinite progress can I ever overcome the fear that I will be a "lost sheep" left behind.

On the one hand, I do not pin any vague hope on the future, no matter how beautiful the future may be. On the other, I try to bury deeply my memories of the dead past. I care for nothing but action, the action of the present, the only focus in my life.

Walking in loneliness with passion and creativity, I have no desire to follow the hypercritical morality.

As a wolf, I would rather exchange opinions often with Dionysus.

Neither a slave nor a tyrant, I would like to be a friend as well as to be befriended.

This is what I am: a wolf of flesh and soul, complete with passion and hatred, as well as human emotions, desires, and intellectual capacity.

But I am also a lone wolf, a solo.

I came from faraway places and go to faraway places.

Do I have any message for man?

There is only one truth that I want humankind to know: The day will come when man will be superseded.

So be what you are.

Political Culture in Enterprises Emphasized

90ON0207A Beijing JINGJI RIBAO in Chinese
2 Nov 89 p 3

[Article by Zhang Wenzao: "Enterprise Political Culture Must Be Strengthened"]

[Text] This article involves only a cursory consideration of the political culture of enterprises, and from this proceeds to a brief discussion of related questions of enterprise ideological and political education.

The Tortuous Path of the Development of Political Culture in China's Enterprises

Enterprise political culture is a major component of "enterprise culture." It is a cultural attitude within an enterprise that takes the political system, political objectives, political ideology (thinking), and political behavior as its main content, and includes theoretical education based on Marxism, current affairs, and policy-based education, an education in the "three ardent loves" (love of socialism, love of the party, love of country), socialist moral education, and aesthetic education, as well as a set of educational approaches which are centered on the core work conducted by the party within various periods. It is a cultural support to the dynamics of an enterprise's ideological and political work.

The experience of China's development of an enterprise-based political culture has followed a tortuous path, going from one extreme of "daily discussion of class struggle" to another extreme of "no discussion at all."

Prior to the 1st Plenary Session of the 13th CPC Central Committee, China's enterprise political culture took political objectives as its core, forming enormous and compact political networks, comprehensive positions, not letting any area of the enterprise escape its touch, adopting a variety of political means, and inculcating political ideas, all of which caused the enterprise to lose its economic characteristics and instead become a political organization.

After the 1st Plenary Session of the 13th CPC Central Committee, the focus of party work shifted to taking economic development as the central course, a development of epoch-making significance. But in the period of social practice, Comrade Zhao Ziyang adopted a "de-emphasizing" policy toward party ideological and political work resulted in the serious weakening (in a "strong" way) of enterprise ideological and political work, causing the "denaturing" of enterprise political culture. Cadres involved in political work were inhibited in their positions, ideology was negated, public opinion was discriminated against, and organization disintegrated. The word "politics" was forgotten, opening a convenient door for the invasion of bourgeois liberal ideas.

During the turmoil and counterrevolutionary rebellion in Beijing, the enterprises remained relatively calm and the contingents of staff and workers were generally well behaved. But they also had not been subjected to the same degree to the corrosive effect of bourgeois liberalism. There is a profound lesson in this.

Two Errors in the Development of Enterprise Political Culture

The excessive strengthening of enterprise political culture and its "denaturing" or complete abolishment are two errors in the development of enterprise political culture.

The result of excessive strengthening may be to put politics in command of everything, with all other activity taking politics as its central aspect. An enterprise, which should be viewed as an economic entity, loses this specific qualitative property; everything is attacked politically, and everything, including production and operations, gives way to politics. Neglected is the basic fact that the main task of the enterprise is the creation of material wealth; everything is replaced by politics and numerous shortcomings are covered by appeal to this one supposedly good aspect. This causes enterprises to fail to take costs into account; it goes against economic laws and is ill-suited to the development of a commodity economy.

The other error is "denaturing," "weakening," or the complete abolition of enterprise political culture. This can create a variety of negative results. First, it produces a paralysis in thinking. There is a loss of class vigilance,

providing opportunities that can be exploited by bourgeois liberal and antiparty elements and the opponents of socialism. Second, it produces a defective and weak mental attitude. Objectively speaking this creates the conditions wherein the bureaucracy becomes a breeding ground for official corruption. Third, it produces a hired-hand mentality—the attitude of one who will do no more than he is paid for, preventing the development of the functions of workers, staff personnel, and managers, constraining their enthusiasm, initiative and creativity, making workers think only of money and not look forward, and losing the inner driving force sought by higher administrative levels. Fourth, it produces a mentality of insecurity. In a period of sudden changes, it makes people believe they could lose their own dominant position and fall behind, with the result that they take a wait-and-see attitude toward reform, affecting the deepening of reform. And finally, it produces an adversarial mentality. Subconsciously there is an unwitting tendency to run counter to the tendency of the day, and within the group an adversarial tendency to be at odds with the leadership arises and has a destructive effect. This circumstance is easily exploited by forces hostile to socialism.

At present the main erroneous tendency is “denaturing” and “weakening” or the complete abolition of enterprise political culture. Hence the task of top priority is to conscientiously strengthen enterprise culture by countering this mentality and drawing on the lessons of our summed experience.

How To Strengthen Enterprise Political Culture

Strengthening enterprise political culture does not involve backtracking to “adopt a program of class struggle,” but requires new viewpoints, new thinking, new theories, new ways of doing things. Our present enterprise political culture is both “made in China” and “introduced from outside.” Here “made in China” refers to the traditional culture associated with service to socialism. It requires rejuvenation. Elements of political culture “introduced from outside” refers to the scientific management culture and man-centered “humanism” that draw on the experience of Europe, the United States, and Japan. Of course, this does not involve indiscriminate copying. What it does involve is the integration of traditional enterprise political culture and elements introduced from outside, and emerges from the practice of each enterprise, constructing an enterprise political culture with the major premise of suiting Chinese national conditions, and the minor premise of suiting the circumstances of the enterprise in question.

First, it is necessary to remove the mental obstacles to the development of enterprise political culture. At present, people lack sufficient understanding of the development of enterprise political culture, and there are all sorts of mental obstacles to overcome. The first is a fondness for the past. This involves becoming accustomed to former patterns of work, study, and living. It is a tendency to take objects of the past as referents. The

second is a protective mentality. This mentality considers all that exists as good, does not dare to explore, and is unwilling to develop. The third is a radical attitude that considers it possible to construct an ideal Chinese enterprise political culture overnight. The fourth is a one-sided attitude, which erroneously considers that only foreigners have an enterprise political culture and China has none. This is a mixed product of self-deprecation and the exalting of things foreign. These mental obstacles must be cleared away if we are to create a mentality which is beneficial to the development of an enterprise political culture.

Second, it is necessary to fully establish the position of enterprise political culture. The socialist nature of China determines the nature of enterprise political culture, and hence determines the important position of ideological and political work in our enterprises, and the organizational, educational, propaganda-related, inspirational, guidance, and persuasive effects that arise during ideological and political work in enterprise production and operation. Only through forceful ideological and political work is it possible to gradually carry through the idea of “one center, two fundamental propositions,” to make vast numbers of workers and staff take a clear-cut and firm stand, and maintain a high level of political enthusiasm and sense of political responsibility.

Third, it is necessary to put the management of political culture on the daily agenda of enterprise management. In recent years, in China’s enterprises there has been too rapid and frenzied a switch from a mechanism of political management to a mechanism of economic management, and hence some absolutely necessary methods of political management have been eliminated, facilitating for a time the influence of bourgeois liberal thinking on enterprises. These lessons should be kept in mind. For this reason we must put the management of political culture on the agenda of enterprise management. Statements and actions that run counter to the “four cardinal principles” must be concretely analyzed (of course, we cannot seize on someone’s mistakes or shortcomings, nor come down hard on or label people), and appropriate political measures must be adopted to solve problems; we must also implement political checks on cadres.

Fourth, it is necessary to give political education an important position. Enterprises should develop educational activities that are centered closely on the core work conducted by the party within various periods, giving political education an important position within enterprise work. Directives of the Central Committee and State Council must be energetically communicated to vast numbers of workers and staff in a timely manner. Real accomplishment of this task will not be in terms of form, but will take the workers and staff as the masters of the enterprise and masters of the country, fostering their participation and consciousness, improving their political quality and ideological awareness, making each worker into a staunch defender of the four cardinal principles, and on this basis eradicating the market for bourgeois liberal thinking.

Fifth, it is necessary to distinguish certain levels in the development of enterprise political culture. The development of enterprise political culture is a systematic process, with a wide scope and complex content, and requires the division of administrative levels to be carried forward. First, it is necessary to pay sufficient attention to the political culture of lower administrative levels, namely, the cultural entertainment and physical education activities of an enterprise. An appropriate political content should be inserted into all these activities. Second, in emphasizing enterprise political culture at middle administration levels, the most important aspect is the study of current events and policies. At present and for some time into the future, we must stress the content of Comrade Deng Xiaoping's major speech to upper-level military cadres and the documents of the 4th Plenary Session of the 13th CPC Central Committee as well as the major National Day speech of Comrade Jiang Zemin. Third is thoroughgoing administrative level education in enterprise political culture, namely, study of and education in a Marxist world view, Communist ideals, and materialist dialectics.

Need to Strengthen Grassroots Party Organizations

90ON0146B Beijing *NONGMIN RIBAO* in Chinese
20 Sep 89 p 1

[Commentator's article: "Strengthening the Grassroots Party Organizations' Cohesive and Fighting Powers—In Celebration of the Convening of an Awards Convention To Recognize the Nation's Leading Grassroots Party Organizations and Its Exceptional Workers"]

[Text] The awards convention to recognize the nation's leading grassroots party organizations and its exceptional workers convened today in Beijing. Convening such a meeting after the 4th Plenary Session of the 13th CPC Central Committee holds real significance in light of efforts to strengthen the party establishment and to eradicate certain erroneous impressions in the course of party building. Thirty-six percent of the attending delegates come from farm villages. They represent the outstanding achievements in grassroots party organizations and party work and serve as models for solidly supporting and improving party leadership.

For some time, with the dilution of party leadership functions, party building was severely ignored, and, in an atmosphere of slighting work in political thought, some villages adopted the incorrect attitude that "a party branch is not needed once land has been apportioned," and this slowly spread. Some weak grassroots organizations became dissipated—bordering on near or complete paralysis. Some party members became remote from the concepts of the party cadres, "it only takes five cents RMB for a party member to cease being one." Discipline was lax, spirits were low, actions were hesitant, no one was jumping to take a lead as a role model. A small minority of party members and cadres began to forget party thought and party purpose. The evils of individualism began to spread,

nurturing an attitude of "everything looks toward money." Public authority became a tool for private gain, laws were broken, discipline slackened, and decadence and decline appeared. Some became criminals against the party and the people, severely damaging the blood relationship between the party and the masses, weakening the cohesion of the grassroots organizations, its attraction, and fighting power.

The party's grassroots organizations are its foundation. Making a good grassroots organization is the hinge upon which rests the building of a leadership element. As the masses often say, "Villages look to villages, families look to families, masses look to party members, and party members look to the party branches." Whether a village party branch has a stout leadership heart or is weak and disorganized determines whether it can stay with the party's course, its guiding principles, and policies and whether it can maintain solidarity in getting the masses to tread a common road. Therefore, when we enhance the building of party leadership elements and assign missions to the leaders, we must accurately and thoroughly implement the four modernizations principles of the cadres, and be on guard against and overcome the tendency to emphasize talent, but belittle moral principles. We must emphasize the cadre's political position, integrity of thought, ability to lead and actual work results. We must prevent one-sided emphasis on age and cultural tendencies, and not use a productivity standard in place of moral and skill principles. Particularly under the new trend toward reforms and opening up, we must pay attention to the ability of a party cadre to have an awareness of the concept of commodity economy in order to respond appropriately to the demands of the new developments, and pay even more attention to guarding against pollution of the mind and be able to support the socialist direction and yet meet the test of the new openness.

If the village grassroots organization is to implement the party's policies and adhere to the party line, its most pressing task is to change the "planting others' land at the expense of ignoring one's own" situation where the party does not operate the party and it must strengthen its own building. As to those ineffective grassroots organizations where organization is loose and discipline slack, the local and magistrate-level party committees must assert leadership and organizational power, task reform action, and remove apparent footdragging. Concurrently, actual facts and the aspirations of the masses must be factually reported. There must be unity and the masses must be served. Prosperity must be lawful, controls on joint production and contracting must be stabilized, a collective economy is essential. The road to enrichment must be traveled together. One must dare to grasp the civilization of socialist spirit with heads high and colors waving. We must steadfastly educate the farmers in the spirit of socialism, properly implement the "three objectives," and complete the various party missions in the country and the village.

The village grassroots party organization must serve fully as a solid combative fortress and the party member

as a pioneer model. It must strengthen control over and education of party members, adhere strictly to organizational life, reinforce the party viewpoint, remember well the hopes and policies of the party, listen seriously to the voice of the masses, be concerned with the suffering of the masses, sincerely tell the masses the truth, work on actual things, seek real results, and strive for a close party-masses relationship. At the same time, it must

have strict party membership standards and deal relentlessly with substandard members, look for and prosecute fairly the few who seek personal gain, are decadent, and lagging behind, punish in accordance with the severity of the offense, purify the party organization, raise the quality of the party membership and, from the group up, raise the cohesive and combative powers of the grass-roots organization at the village level.

NATIONAL AFFAIRS, POLICY

Summary of Major Economic Events of 1980's

OW3112181589 Beijing XINHUA in English
1647 GMT 31 Dec 89

[Text] Beijing, December 31 (XINHUA)—The world economy scene in the past decade was characterized by changing patterns, intensive competitions, heightened trade barriers and different views on development, said a leading Chinese economist.

In his article "An Introduction of World Economy in 1980s," to be published in the forthcoming issue of China's LIAOWANG, [OUTLOOK] news weekly, Qiu Yuanlun, deputy director of the World Economy and Politics Institute of the Chinese Academy of Social Sciences, outlined top 10 events in world economy in the 1980s:

1. The economic growth in Western countries continued for seven consecutive years from 1983 right after they survived a two-year-old economic crisis at the beginning of the decade. This indicates that the developed countries still have a measure of ability to promote scientific development, adjust economic strategies and improve industrial structures to cope with the changing times.

2. The rise of Japan in the decade represented the most important substance in the further multipolarization in world economy. The three world economic powers—the United States, Western Europe and Japan—have matched each other in their struggle for joint dominance of world economy and relations among them in the future will see intensive competition and strengthened coordinations.

3. Scientific development was speeded up with hi-tech as its forerunner. The impact of science and technology on the nations' economic development as well as on their strength and potentialities was increased.

4. China has made great achievements recognized by the whole world in its reforms and its open-door policies. Most of the socialist countries started or continued economic reforms one after another.

5. The debt crisis of developing countries had not been eased since it broke out in 1982. The total debt of developing countries has increased to \$1,320 billion in August 1989, from \$831 billion in 1982.

6. The enforced Western trade protectionism and the intensified trade frictions among the United States, Japan and Western Europe harmed the interests of the developing countries. According to statistics from the General Agreement on Tariffs and Trade, nontariff barrier measures adopted by the developed countries have now increased to over 1,000 from 850 at the end of the previous decade.

7. The U.S. dollar fluctuated with devaluation as the main trend while the Japanese yen shot up sharply,

winning a strong position in the international monetary system. In the decade's second half, the dollar exchange rate against German mark and Japanese yen went down rapidly. From 1985 to 1988, it devalued by 40 percent against German mark, and by 50 percent against the yen. As a leading currency in the international circulation, the dollar's performance had enormously affected the world economy.

8. Oil price cut constituted an important factor in the marked progress made by Western countries in "the struggle against inflation" in the 1980s. Since the oil price boom in the 1970's, the world had struggled to save energy and to find new energy sources. The West, on its part, minimized its oil consumption. This and other factors combined brought about the depreciation of oil price.

9. The two collapses in the world stock market did not immediately produce evidently negative effects on the world economy. On 19 October 1987, the average point of Dow Jones industry stock market in New York dropped by 508 points, and on 13 October 1989, by 190 points. The other main world stock markets met the same fate. This situation, however, did not lead to serious consequences as predicted by many people.

10. The Council for Mutual Economic Assistance of Eastern European nations and the European Economic Community ended confrontation and began normalizing their ties. The relaxation of East-West relations and economic perestroika in the Soviet Union and East Europe started in the decade will have great effects on the whole international economic scene.

The author further pointed out that similar situation will continue in the new decade. Nations, no matter what their sizes, their social systems and their development levels, will surely fall behind, if they do not concentrate on their nation-building and follow the general trend of the time.

Examination of State Ownership System

HK3011063789 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 89 pp 21-29, 55

[Article by Li Maosheng (2621 5399 3832), Finance, Trade, and Economics Institute of the Academy of Social Sciences of China: "State Ownership Reform: Difficulties, Pitfalls, and Prospects"]

[Text] The reform in our country has already passed the first decade. Due to the complexity and difficulties of the reform itself, in addition to our subjective errors, currently the economic reform has fallen into a low ebb and difficulties. If we do not confine ourselves to the current economic difficulties, mainly manifested in the currency inflation, but look at a higher level and a larger historical span, then reform of the ownership system is the main point of the difficulties of the reform, while the difficulties in the reform of the state-owned enterprises constitute their nucleus. I believe that China's reform can certainly extricate itself from the difficulties under the

precondition of a firm insistence on socialism. This is because the difficulties met with now are surely the difficulties in the course of a ceaseless advance. Reform of the traditional state ownership system is similar and surely can find a way out within the framework of socialism.

Some comrades do not look at this in the same way. For example, Comrade Hua Sheng and others believe: "In the form of the original theory and understanding," socialist "reform has already reached the end of the rope."¹ The original theory and understanding they mention refers not only to people's understanding of socialism before the reform, but also to the understanding that had existed prior to the bringing up of Ke Er Nei's [4430 1422 1143] "functional economics" of the "economics of scarcity," to which they claim their theory is superior. It must be understood that before this, that is by 1988, after 10 years of probing, the theory and understanding of China's Marxists had already developed to a new stage and produced the "theory of socialist commodity economy" and the "theory of the initial stage of socialism." These two theories are the two foundation stones of the theories of China's reform and are also the foundation stones of China's new economic theoretical structure.² Only through taking the "two theories" for guidance, based on the foundation of a scientific understanding of the defects of the traditional state ownership system, at the same time abandoning the unrealistic fantasies of the private ownership system, avoiding the pitfalls of privatization, and making use of the manifold forms of the stock and share system to reform the existing state ownership system can there be bright prospects.

I. What Are the Principal Defects of the Traditional State Ownership System?

When it is said that reform of the state ownership system or of the state-owned enterprises has fallen into a dilemma, what is meant is that the traditional state ownership system has various kinds of defects and that at this time there is no workable and effective method to remove these defects. This is what certain comrades call the "crisis of the state ownership system," while some people frankly say that there is "no way out." Whether or not what they say is true perhaps requires us to scientifically analyze the defects of the state ownership system and their causes.

Since the reform, people have, from different angles, given many and various descriptions of the defects of the original state ownership system. Here we do not intend to produce too many repetitions, but shall present certain immature and not well-rounded views in combination with the coming reform.

First, in the traditional state ownership system the problem of unclear ownership rights does exist, and as a result various defects have been generated. However, as we see it, we would rather say that this has originated from the changes in the state ownership system rather

than from the form of the state ownership system itself. In a definite sense, the state ownership system set up by us after liberation was a deformed ownership system which was neither public nor private but both public and private, and its disparity with an ideal system of ownership by the whole people was too great.

Hua Sheng and other comrades are incorrect in saying that there were no property rights in the state ownership system or the system of ownership by the whole people (naturally their way of referring to things and the concepts they use are changeable and confusing, such as stating that "the concept of ownership rights existed only in name," "disappearance of property rights," abolition of ownership rights," and so forth.³ The problem does not lie in whether or not there were property rights, but in the confusion of the relations of property rights under the deformed ownership system.

Generally speaking, the state ownership system possesses a rather comprehensive nature. Under feudal society in which, "I am the state," the state ownership system was to a very large extent the emperor's individual private ownership system. At that time, the ownership rights of the state ownership system were by no means confusing. The emperor had the absolute handling power. Whoever violated it might incur the death penalty. In the state ownership system of modern capitalist countries, ownership rights are also quite clear. For example, their state-owned forests are absolutely unlike our forests, where random felling of trees is permitted. Again, for example, neither the president nor the premier has the right to exceed the legally prescribed limits and freely handle the disposal of state-owned assets and properties. Unfortunately, when our system of ownership by the whole people adopted the form of the state ownership system, the rather comprehensive nature of the state ownership form was deformed into confusion and made into a kind of ownership system which was extremely difficult to define. Because in China's society many old feudal drawbacks are still in existence, the state ownership system first of all carries the obvious signs of ownership by the individual leadership, and people have never clearly given the leadership such right or made by strict demarcation thereon or imposed any effective restriction or restraint. Hence, in the actual manifestation of the relations of the ownership system, certain special features of the Middle Ages can be seen; and also, in this form of a strange union of the traditions of the supply system and the fixed and special features of the commodity economy, state-owned assets in name can, on the one hand, be transferred or allocated without compensation by orders of the leadership officials and, on the other hand, be utilized by certain people who possess them for the seeking of benefits for their own units, with the state ownership right not being manifested economically. Moreover, because the concrete realization form and a system of power and responsibility of the state being owned by the whole people have not been solved, frequently there appeared instances of nobody being responsible for risks and losses, and so on.

The confusion in ownership rights relations formed by the traditional state ownership system for various reasons and the many defects it brought perhaps should not be fully blamed on the form of the state ownership system itself. This being the case, shall we start from solving the confused condition of ownership by the leadership officials, ownership by small organs, and the impossibility of finding a concrete owner under many conditions?

Second, since the traditional state ownership system has been confused into the state function of the upper structure, and the state's rights and responsibilities represented by the owners of the means of production, this has led to the confusion between society's macroeconomic target and the enterprise's operation target: On the one hand, the nonseparation of government from enterprise functions forms the situation of enforcing strong administrative intervention directly in the production process and makes the enterprise, which should possess independent economic interests, lack autonomy and become incapable of being invigorated; and on the other hand, because of the low efficiency of the enterprise and the lack of clear and legal standards, the benefits of the state's ownership rights cannot be protected.

Tracing the origins, the above-mentioned problems are determined by the traditional understanding of socialism itself. Refutation of socialist economy as being a kind of commodity economy causing, in economic life, the general stressing of the form of material objects and neglecting the value form; refutation of the necessity and rationality of the value-incrementing of funds and income derived from capital funds; failure to understand that the state's derivation of income from the enterprises is the right indicated in the system of ownership of the means of production; and the sheer taking over of the Marxist theory pertaining to making the necessary deduction from the labor income of the workers in the capacity of representative of society—all these have led to the unified standard of salaries and wages and unified receipts and expenses. Naturally, under such conditions there is no way to form a rational policy-making structure and regulatory system.

Although the above-mentioned defects may be principally attributed to problems of understanding, should we not first examine the use of a correct theory as the guidance to reform the state ownership system, rather than abolishing this form of the system of state ownership?

Third, enterprises of the traditional state ownership system, due to the failure to establish a system of thriving economic motive forces, do have the problem of a low efficiency rate.

How are such problems formed? As everybody knows, economic motive forces originate from people's seeking of material benefits, and the system of economic motive forces is formed on the basis of the interest structure. In a commodity economy, the interest structure is composed of

the interests of the owner, operator, or entrepreneur and the producers. A good system of motive forces is the amelioration of these three categories of interest. The efficiency of our state-owned enterprises not being up to expectations may no doubt be attributed to the existence of problems in the interests of the three sides.

At present, theoretical circles have a certain trend, and this is the over-emphasis of property restriction. In reality overall interest restriction should be stressed instead. Property restriction naturally is extremely important. It certainly is a prominent problem in the state-owned enterprises. Failure to solve it well is an important factor in the lack of efficiency in state-owned enterprises. In the above we have already pointed out this problem. However, property restriction is only one form of interest restriction. In state-owned enterprises, the interest restriction of the operator and of the producers is of even more importance in the system of motive forces. It is true that as far as the individual is concerned, if he can centralize the owner, the operator, and the producer all in his own self then obviously there will be sufficient motive force, but this is suited only to small production and to a small commodity economy. In socialized large-scale production and in modern commodity economy it may not exactly have any efficiency and particularly cannot produce good macroeconomic benefits. Conversely, in socialized large-scale production, it is not necessarily true that the operator and producer will devote their complete efforts only when they are the direct owners of the means of production. If properly handled and arranged, they can have sufficient motive force just the same, and adding to this the economic benefits of scale, the efficiency rate can hardly be matched by that of the "three-in-one" private owners. An understanding of this point may be said to have exceeded the realm of the private ownership system. Perhaps we may expand our line of thought by citing a problem like the following: Workers in our state-owned enterprises are, at least in name, the masters or owners of the means of production. Why is it that, at times, their "showing in production" cannot match that of the high level workers of capitalist enterprises (who at least are not in name the masters or owners)? The noted entrepreneur Lee Iacocca was neither the owner of the Ford Motor Company nor the owner of the Chrysler Corporation, so what was the reason that he could do so well in both companies? The Wuhan Diesel Machinery Plant employed foreign plant manager Ge Li Hsi (2706 6849 1585). The plant was still a state-owned enterprise and the foreign manager himself did not have any of the so-called ownership rights, but under his management the plant showed an astonishing efficiency. What was the reason for this? And what is the reason the staff members and workers of many Japanese companies show a spirit of working hard, being diligent, and sharing the fortune of the companies?

In my opinion, the problem lies principally in stimulating and restricting the interests of the operator and producers. Lack of stimulation will not work, and it will

not work if there is only stimulation but no restriction or confinement. So far as operators are concerned, in the past our problem was an imbalance between responsibility and interests or benefits. For example, take the case of the Shanghai Petrochemical General Corporation. It is an especially large enterprise, the profits and taxes of which amount yearly to a billion yuan. The income of its general manager differs only slightly from that of the ordinary engineer or even worker, and has no great connection with the corporation's operation results. Perhaps we may make this supposition: If the Ford Motor Company accorded its general manager and high-level employees the same treatment given to its ordinary workers or engineers, then it would have gone bankrupt long ago, and its destiny would never have been any better despite its belonging to a typical type of private ownership system. As for the ordinary workers in our originally state-owned enterprises, so long as their qualifications are the same, it makes no difference whether they work or not or whether they work well or poorly. From the beginning of the reform it was advocated that the practice of everybody eating from the same big pot should be broken up. The outcry went on for 10 years, but no actual progress has been made. How then can there be a high efficiency rate? Does it imply that the state ownership system must have the practice of everybody eating from the same big pot, and that it matters not whether one's performance is good or poor? Both theory and logic cannot yield such a conclusion, and the answer is likewise "no" in the case of both foreign and Chinese state-owned enterprises which have turned in good performances.

According to reason, the actual difference between state-owned enterprises and private enterprises is that different principal bodies own the surplus value (profit). The profits of state-owned enterprises are not like those of enterprises under the system of private ownership, in which they are possessed by an individual or a small number of private owners. They pass through the state as the medium and, directly or indirectly, belong to the people or work for the welfare of the population. Hence, so far as the workers are concerned, those in state-owned enterprises, if not showing a higher degree of enthusiasm, should at least perform as if in a private enterprise. The appearance today of this kind of abnormal phenomena does not concern the problem of either public ownership or private ownership. It only denotes that past concepts, systems, and policies that hurt the positiveness and enthusiasm of the operator and producers need to be changed.

In comparison with private enterprises, the weakest point of state-owned enterprises lies in what people have frequently said, that in state-owned enterprises the question of who represents the state has not been settled well. In other words, in state-owned enterprises, unlike private enterprises, there is no fixed person who customarily is concerned with, and protects and ensures, increases in the value of assets and increases in the income of the owners. This, perhaps, is the source of the

crisis threatening state-owned enterprises. However, perhaps we need to readjust our viewpoint a bit, making the increases in the value of assets and receipts of owners of state-owned enterprises not depend concretely on certain personages but on the formation of a certain mechanism which, through various forms of planning, market, and legislation, can truly combine the long-term interests of the owners, operators, and producers and put them on a common footing of sharing success or failure. This is perhaps the principal road to the reform of the state-ownership system.

II. Reform of the State Ownership System Should Never Fall Into the Trap of Privatization

People have a unified understanding of the point that both the state-owned enterprises and the traditional state ownership system should be reformed, but the question is how the reform should be carried out. Hua Sheng and his comrades felt that the state ownership system or system of ownership by the whole country were bonds that hindered the development of modern productive forces and firmly insisted that they had been "responsible for enormously large historical errors."⁴ What should be done? In the minds of certain people, including Hua Sheng and the other comrades, privatization was the path to take. In my opinion, generally speaking, the private ownership system is by no means the infallible remedy by which modern society has tried to save the world. Perhaps nobody will deny that the private ownership system was reminiscent of the dark Old China. After World War II, the economy of big Third World countries like India, in which the original level of productive forces had been similar to ours, did not fare any better than us despite the practice of the private ownership system, or perhaps the situation was exactly the reverse. It may be especially mentioned that to modern China privatization is a pitfall, not a way out. Taking China's realities to start with, the privatization of state-owned enterprises (and not the mere change of the system of certain small enterprises) would entail the spread of bureaucratic capitalism.⁵ But bureaucratic capitalism can never save China. It cannot solve the problems that China is currently facing and decidedly is not acceptable to the Chinese people.

Just why would China's practicing of the private ownership system inevitably lead to bureaucratic capitalism?

First, in mankind's history, there has been only one instance of the conversion from the public ownership system to the private ownership system. This was the development from the primitive public ownership system to the slaveowner private ownership system. Even in this great social progress, the process also entailed transgressions and pillaging. It cannot be denied that when an extremely low level of productive forces is raised, and after collective labor has acquired the conditions for transition to individual labor, many persons will become small private owners through their own efforts. However, tribal chiefs frequently used the power

in their hands, in the course of the early stage transactions between the tribes, to take over public properties as their own or, upon conclusion of the tribal wars, take a large number of prisoners as their slaves and thereby become large private owners. This is a historical fact. In modern times in our country, among the primitive tribes and races still remaining in certain regions still closed to the outside world, their chiefs were quently large private owners and the richest men in the tribe. This perhaps can be cited as one instance.

If it is said that in history's first instance of the natural transition of the public ownership system to the private ownership system, there was already no way to avoid the original tribal chiefs or headmen becoming big private owners—big slave owners, then to artificially push privatization in modern China, aside from the possible result of its being a failure on account of the public's universal opposition, there would be no way of preventing power from being converted into capital, official power to ownership right, and socialism into bureaucratic capitalism.

Second, due to the fact that in the 10 years of reform a portion of people have prospered, it can also be seen that the undertaking of privatization in China would inevitably lead to bureaucratic capitalism.

In the reform of the past 10 years there was a policy which called for letting a portion of the people become well-to-do before others. Let us look at mainland China today; definitely many people have become fairly wealthy through their own work. However, in the rural areas we can find that among the well-known people who have become well-off before others, many had originally been cadres. It is true that the majority of them were originally people of a higher quality or calibre than the ordinary peasants, but if we go deeper into the analysis it can be seen that their getting rich could attributed to their original official positions or to their close relationship with "official power" in the upper-level relevant departments. As for the very rich people in the urban areas, none really had been an industrial worker, nor just an entrepreneur in large- or medium-sized enterprises. Those people who have accumulated a considerable amount of capital, particularly the millionaires, were mostly corrupt officials or semi-officials and people who colluded with them to freely use their special power, to profit from the double-track price system, or to gain illegally from the leakage of policy information. Among them are certain bad elements and rascals in society, former prisoners just released from labor camps, and so forth. This makes us recall the former similar situation of a large number of local despots and rascals surrounding China's bureaucratic capital circles before liberation. At present a heresy is prevalent in society to the effect that "exerting efforts cannot make money and truly making big money is not due to the exertion of big efforts." This saying clearly illustrates the reality of improper converting power directly or indirectly into capital. From these phenomena, can we not see the possibilities of privatization leading to bureaucratic capitalism?

Third, enforcement of a privatization program of the type currently being advocated would lead to bureaucratic capitalism.

As we already mentioned above, at present a number of people believe that socialist reform has reached the end of the road and that only privatization (all-round carrying out of the private ownership system) is the path to follow. But such views have seldom been seen in print. Occasional references to it in articles are more or less in the form of vague, disguised hints. Take, for example, the advocacy of the so-called "individual ownership system" to replace the private ownership system. Those people who have concretely advocated the privatization program are much fewer in number. A relatively more representative program is the so-called "system of dividing up the existing assets volume" advocated by Hua Sheng and the other comrades to convert the state ownership system to private ownership system⁶ (In Chinese, the little of this measure is not exactly understandable. However, after reading the whole article, it may be explained that what the authors had in mind was carving up the remaining or balance volume of state-owned assets. Hence, for the sake of convenience, in this article we have cited the title as originally given).

Before analyzing the consequences of the system of "dividing up the existing assets volume," it is necessary to explain its relationship to the private ownership system. The reason why we said that advocacy of this system was equivalent to advocating the private ownership system is because of the following two points in the articles by Hua Sheng and his other comrades:

First, despite Comrade Hua Sheng and others' use of such highly elastic terms as "individual ownership rights" to provide themselves with ground to advance or retreat, to have the means of production originally owned by the state quantified and given out to individuals is equivalent to conversion from state ownership to private ownership by the individual. Twisting the wording cannot change the substance of the problem. People may say that at one point in their articles Comrade Hua Sheng and the others seem to have mentioned their disapproval of the "direct advocacy of the private ownership system." However, if we deepen the analysis a little bit, the truth can come out easily. Comrade Hua Sheng and the others, after criticizing certain economists for "abandoning the individual's property right out of ideological considerations and finding another way out," which they termed as a "certain tragedy," followed up with the following passage: "Naturally, there are people who go to another extreme, who directly advocate the private ownership system, and more or less take privately-run enterprises as the direction of economic development. Actually, the holding and running of enterprises by private individuals have been proven to be outdated production forms, and cannot become the main channel and direction of our economy. Besides, it should be seen that in the great atmosphere of socialist countries, the behavior of privately-run enterprises, when compared with the same category of enterprises in

the market economy of the West, is greatly different, even to the extent of being distorted. To put too much hope on the development of privately-run enterprises and their contributions to the national economy is unrealistic."⁷ From the article as a whole, it can be seen that Comrade Hua Sheng and others did not agree with privately run and not privately owned. Could it be that they were careless for the moment or that they failed to differentiate between privately owned and privately run and thus mixed them together? The answer to both is no. The careful reader can discern that Hua Sheng and the others paid great attention to the differentiation between owning and operating or running, that all along they have advocated that enterprises should be run by entrepreneurs and that they placed their hope on "the class level of professional entrepreneurs." Hence it is logical to assume that they opposed privately run and not privately owned. Looking at the article as a whole, they seemed to advocate holding or ownership by private person (individual) in the form of stock or share and management by professional entrepreneur.

Second, the principal point of the "system of dividing up the existing assets volume" advocated by Comrade Hua Sheng and others manifested an obvious tendency toward privatization. Under item 18 of the particulars of this system, the arrangements for residents were in three categories:

1. To cadres, staff members and workers of enterprises under the system of ownership by the whole people, "the state should formulate a unified standard" and issue to them once and for all assets certificates (the enterprise when making the concrete distribution should take into account such factors as the length of employment and the size of the salary or wage of those concerned).
2. For staff members and workers of enterprises under the system of collective ownership, "On the basis of liquidating or clearing the assets and liabilities accounts of the enterprises, dividing up once and for all the assets to the individuals, and setting up an individual's capital account for the staff members and workers."
3. Regarding the peasants, aside from reserving a portion of the public farm land for lease or rent by tender, "a considerable portion of the land is divided once and for all directly to the peasant households, no subsequent addition, reduction or readjustment in the event of population changes, and thus to definitely carry out the system of self-ownership of land."⁸ From such a large embodiment (military and government employees are excluded) in the thoroughgoing reform of the system, can we not see their trend to privatization?

Perhaps some comrades may say: the "system of dividing up the existing assets volume" does not divide all the assets to the individuals. Is it not true that a portion is distributed to the governments at various levels? The first item of the particulars of the system calls for "carrying out once and for all the division of property among the enterprise units of the central government and provincial, district, city,

county and regional governments at various levels," so that a considerably large portion of the receipts of the governments at various levels and the business units originally coming from central financial appropriations is converted into benefits coming from the operation of the assets"⁹ Comrade Hua Sheng and others did not mention here the concrete amount concerned but said that it should involve "a considerably large portion of the receipts" and the corresponding reduction of central appropriations. We may (and can) only calculate backward from the financial expenditures. Take the year 1985 for example (because the 1985 figures are comparatively complete). During that year expenditures on administration and management (expenditures of governments at various levels all included therein) amounted to 13.06 billion yuan, or 7.1 percent of the total financial expenditures,¹⁰ and 9.9 percent of the financial revenues provided by the state-run economy.¹¹ Even though we base our calculations of the benefits not on a considerably large portion of but the whole of the state-owned assets certificates, this requires only the holding of 9.9 percent of the existing assets of the state-owned enterprises.¹² Figuratively speaking, the governments at various levels in the country taken as a whole only need to own five Daqing Oilfields, or six Anshan Steel's or ten Yenshan Petrochemical Corporations to solve the problem of the receipts. But only with this tiny state-owned portion (occupying not quite 10 percent of the original assets under the system of ownership by the whole people or less than 5 percent of the assets of the whole country), or, or put it in another way, with such a big country having only some ten enterprises that are publicly owned, how can it be said that the whole economy is publicly owned and not privately owned? If this should be the case then the economies of many developing countries and even the developed countries may be said to be under the system of public ownership. Hence, the "system of dividing the existing volume of assets" is in reality a concrete proposition of privatization.

Let us turn now to analyze the situation that may develop from the main portion (regarding the residents' portion) of the "system of dividing the existing volume of assets. According to the proposition of Comrade Hua Sheng and others, the state gives once and for all assets certificates to the cadres, staff members and workers of state enterprises and business units according to their length of employment and amount of salary or wage. This allows them, by means of the asset certificate, to have a share in carving up the state-owned assets, thus setting up the system of individual ownership; that is, the system of private ownership. This state of "carving up the assets of 1 billion people by 200 million people" will thus become a reality of what these same comrades once criticized—the state of "ownership by the whole people being ownership by 200 million people and not 1 billion people." Its absurdity is clear enough and we need not discuss it further. The more basic problem is: Is such a private ownership system evolved basically from the egalitarianism of the small capitalist class needed at all, and can it be maintained without change? Here we shall not need to start from the demands of such sectors as

economies of scale, enhancement of the industrial structure, and amelioration of the disposal and allocation of resources. Seen from the development of modern commodity economy and objective advancement or progress, however, the conclusion is definitely one of refutation. Perhaps we may take a look at the prospects of the system. First, according to Comrade Hua Sheng and others, the assets certificates obtained by each individual (neglecting the problems that may arise in the distribution of these certificates) may be used to buy residences, or stocks and shares, or to pay rent. As far as the majority of people are concerned, the certificates obtained can hardly be sufficient to buy residences. Only a small number of people will use them to buy stocks and shares and only those holding stocks and shares possess the ownership right of the enterprises. Thus from the beginning the system of individual ownership of the means of production is not universalized. Next, since stocks and shares can be purchased, sold, or inherited it will be inevitable that the ownership right of stocks and shares will be further concentrated in the hands of a small number of people.

In what kind of people will be the stock and share right be concentrated? In the foregoing we already analyzed that currently a number of people have accumulated a considerable amount of money assets. Such a concentration is just the beginning. At present, people in our country have just entered the stage of being dressed warmly and eating their fill; illiteracy and semi-illiteracy are prevalent; the people's knowledge of currency and finance is extremely scanty; economic news and information are inaccessible to the public; the burden of feudalism is very heavy; relations with officials are overly developed; and the democratic atmosphere is thin and rate while legal restraint is weak and impotent. Inevitably, on the one hand there are people who have not yet solved the problem of being dressed warmly and eating their fill and cannot escape their impoverishment. They will join forces with those who have just started to obtain a small quantity of assets certificates or a small slice of land. On the other hand, the vicious nature of securing belongings, rights and so forth by force or trickery using the corrupt official power will develop and spread to the extent of making the use of special power and the double-track price system together in the confused circulation sector to rapidly breed and give birth to feudal bureaucratic capitalism.

Thus, the road of privatization is a pitfall to place the people anew in a state of extreme misery. Despite Comrade Hua Sheng and the others' repeated claim that "here are roses and flowers; let us dance here," China's reformers armed with Marxism will never be tempted by the fantasy of roses and flowers and jump into the pitfall of privatization.

III. Hold Tight to the State Ownership System and Use Various Forms of the Stock and Share System To Realize the State Ownership System

Since the road of privatization cannot be taken, then how should the state ownership system and the state-owned

enterprises be reformed? In fact our conclusion is already found in the analysis of the three large defects of the traditional state ownership system. It is: As a principal form of the public ownership system, the state-owned system (system of ownership by the whole people) should be firmly held to and the current defects of the state ownership system must be exterminated. In the realized form of the state ownership system, development toward the stock and share system is a relatively good trend which has more advantages than disadvantages.

1. Because of its strong precondition of the productive forces, the state ownership system will continue to exist.

The state ownership system must be firmly insisted on. We can conveniently avoid the problems of the value concept or the direction of value and I do not deny the selection and firm insistence on the socialist road. The essence of the problem lies in whether the selection is for this or for that or whether or not the direction of value conforms with objective reality. Hence, before we discuss the concrete reform of the state ownership system, let us probe once again into the problem, brought up by Comrade Hu Sheng and others, on the "logical precondition" or "economic precondition" of the state ownership system—the system of ownership by the whole people.

Regarding the system of ownership by the whole people as a principal form of the public ownership system, the economic precondition it produces is the solution of the contradiction between the social character of production and the private character of the ownership, or, it may be said, solution of the opposition between capital which has exploitation as its essence and labor. If this is the case then solution of the contradiction naturally is not elimination of the social character of production but the extermination of exploitation and the extermination of the private character of holding or ownership. This is the basis of using the public ownership system and the system of ownership by the whole people to replace the private ownership system. Whether or not the system of ownership by the whole people is, as Comrade Hua Sheng and others said, bonds on the development of the productive forces, can here be answered negatively. This is because in the productive forces the most active and most revolutionary factor is man, the worker. Men or the workers do not display greater enthusiasm under the conditions of being exploited by the private owners; that is, the surplus value being taken away by a small group of people. Instead, they show more enthusiasm when they are not exploited and when the value of the surplus products belong to them as ownership by the whole body of owners.¹³ Could it be that because this reasoning has been talked about for several decades in China and is no longer fresh then it should be abandoned? Could it be true that man's enthusiasm is the manifestation of the liberation of the productive forces but the shackles of the productive forces?

One of the concrete reasons for Comrade Hua Sheng and others to categorically conclude that the system of ownership by the whole people had lost its logical precondition was that "the development of modern productive

forces had begun to show many tendencies such as toward being on a large scale, concentrated and dispersed,"¹⁴ To put it more clearly, they confused state-owned-with state-run, and explained state-run to be on the basis of a country-wide centralized operation, further asserted that in the development of modern productive forces not all industries were suited to centralized operation on a country-wide scale, and thus came to the conclusion on the system of ownership by the whole people being the bonds on the development of the productive forces. Nevertheless, it should be noted that state-owned is not necessarily state-run, far less centrally operated on a nationwide basis. Both in theory and in practice this point is amply supported. Hence to basically refute the system of ownership by the whole people because of the reasons of production socialization being of different kinds and nature, or because production socialization is not equivalent to centralized operation on a country-wide scale and the fact that many industries and trades are not suited to centralized operation, makes people feel that they were far off the mark.

Here, it is necessary in connection with this problem to talk about the scholastic conduct of Comrade Hua Sheng and the others. For the purpose of refuting the state ownership system through confusing together state ownership with the state carrying out centralized operation of a nationwide nature, they wrote the following passage: "The mistake made by the originators of Marxism in estimating the trend of the development of production socialization was to a very large extent due to the limitations they suffered from the historical conditions of that time. The era of Marx and Engels was an era of the speedy development of large-scale production and the beginning of the organization of modernized large enterprises. They saw the special industrial departments of a naturally monopolistic nature such as the posts, telegraphs and railways being the first to show a centralized operation of a nationwide nature and mistakenly believed that this was the sign of 'all the capital, all the industries, all transportation and communication and all the exchange transactions' taking the same trend"¹⁵ We do not know whether Comrade Hua Sheng and others did not understand the original text or had an ulterior motive. In the text quoted by Comrade Hua Sheng and others, Marx and Engels did not "mistakenly believe" that all industries would appear to be "centrally operated on a nation-wide basis." Rather, Hua Sheng and others imposed their ideas on Marx and Engels. Let us look at Engels' original words in the quotation made by Hua Sheng and others on "all the capital, all the industries, all transportation and communications and all the exchange transactions." What Engels originally said was "Once a fierce attack was launched on the private ownership system, the proletarian class would be forced to press forward and take all the capital, whole agriculture, all the industries, all transportation and communications and all the exchange transactions to be increasingly centralized in hands of the state."¹⁶ Engels was talking here about the progress of the revolution of the proletariat. He referred to the nature of belonging of the ownership

system and property and was not discussing whether the various industries and trades were being separately operated or centrally operated. Besides, what Engels talked about was that the centralization of property in the hands of the state was equivalent to centralization in the hands of the people because on the same page he further wrote: "centralize the whole transportation trade in the hands of the people," "when all capital, all production and all exchanges are centralized in the hands of the people, the private ownership system will die by itself." This made Engels' ideas all the more clear. This point can also be proven by citing the original text of the mention made by Hua Sheng and the others in the above about the "posts, telegraphs and railways." In this regard, Engels' original words were: "The inevitable nature of this conversion into state property was first manifested in the large-scale communications structure, that is, the posts, telegraphs and railways,"¹⁷ What he talked about here was the conversion into state property and basically carried no meaning about "centralized operation of a nationwide nature." When we present before the reader Engels' original words quoted by Hua Sheng and others, and compare them with what Comrade Hua Sheng and the others intended to expostulate, people can easily discern the extreme lack of solemnity in the attitude of Comrade Hua Sheng and the others. Therefore, the assertion of the loss of the logical precondition of the system of ownership by the whole people on account of many industries and trades not being suited to centralized operation on a nationwide basis at the present stage can hardly stand.

2. By means of the stock and share system, the state ownership system—the system of ownership by the whole people—can be joined together with the market mechanism.

Under the form of commodity economy, whether or not the state ownership system can be united with the market mechanism is another big problem of whether or not it can exist or survive. Some people believe that they repel each other and basically there is no way to have them united. Although many reasons have been cited, the central one seems to be: Is it possible for state-owned enterprises, in their capacity as independent economic bodies, to compete in the market? People who oppose the state ownership system, starting from the unreliable judgment and conclusion such as the state ownership system will inevitably evolve into a commodity economy and that the state ownership system and administrative control are inseparable twins, believe that between state-owned enterprises and the nonstate owned enterprises the competition is one of mutual repulsion and not competition in the real sense. In my opinion, since state ownership does not necessarily demand centralized operation on a nationwide basis, then we may copy the stock and share system already in existence in modern commodity economy and make the various state-owned enterprises become independent economic entities. They and the many other entities of the state ownership system acting together in the markets to seek their own

independent economic benefits will surely form and bring about competition of unlimited vitality in the economy.

The modern stock and share system is a kind of ownership organizational form with a great inclusive character. In itself it is not a kind of independent ownership form. It may be a state ownership system (system of ownership by the whole people), can also be a collective ownership system or private ownership system, and also possibly a mixed ownership system.

The reason why the shift to the stock and share system can become a relatively good selection for enterprise reform is that it does not change the character of the state ownership system. It can retain the state-owned superior nature of the public ownership system and can eliminate a large portion of the defects of the traditional state ownership system. First, because the form of the stock and share system strictly demarcates the ownership right of the means of production into the end ownership right with financial assets—stocks (or share certificates) as the main containing body, and the operation ownership right with the material resources as the main containing body. On the one hand, the ownership of the stocks and shares and their interest and dividends is extremely clear and concrete and has the protection of law and system. Then, there are definite management personnel; restriction and control are exerted by the legal person enterprise; and it is extremely difficult for any state working personnel to attempt to appropriate or to make free disposal. This solves the problem of the state ownership system evolving into ownership by the leadership officials or ownership by nobody. On the other hand, as a result of the strict demarcation between the management right and the end ownership right, this provides the condition for the separation of government from enterprise functions and the elimination of state administrative organs' direct intervention in the production process. It also makes possible the demarcation between the state's macroeconomic target and the enterprises' microeconomic operation target. Next, due to the adoption of the stock and share system, the relationship between the state and the enterprise becomes relatively clear-cut. Vis-a-vis the enterprises, the state bears limited responsibility and according to the principle of fixing beforehand (even to the extent of according to a prescribed standard) obtains its income from the enterprises on the basis of the share right while at the same time the borderline between the interest of the entrepreneur and that of the workers is also made clear. Their interests, be they of nearterm or longterm, are closely related to the rise or fall of the enterprise and to whether the benefits are high or low. This can form a strong motive force structure.

Some people feel concerned that if reform of the state ownership structure is in accordance with the ideas of the stock and share system, then we still cannot solve the problem of the demand of the staff members and workers for wage increases and expansion of their welfare benefits. Without restrictions placed by the capital side and with the plant head and manager frequently

standing on the side of the workers, in the end of the benefits of the share right will be re-reduced and so will the state's interest be adversely affected. Furthermore, due to the acts of the operator and producers tending to be on a short-term basis, value-increment of the assets will be affected. In reality this problem can be solved.

Generally speaking, once the distribution relations between the state, enterprise, and individual are clarified through the stock and share system and the system of distribution according to work internally, it will be entirely possible to keep the entrepreneur and the producers from entertaining the fantastic idea of repeating the practice of everybody eating from the same big pot while good performances and large contributions will surely earn more. Not only now but also in the future they will for a long time depend on the enterprise for a living; that is to say, their interests will for a long time be closely linked with the rise or decline of the enterprise. This can effectively restrain their short-term acts and keep them from looking only at the present and eating or dividing all, but make them care for the future and pay great attention to savings. Conversely, if the budget's restrictions continue to be weak and the policy changes frequently, this will encourage the gamble that will never lose; that is, to make a full scoop at the earliest opportunity and in case of failure finally to fall back on the state and repeat the practice of everybody eating from the same big pot. This is destined to be without a future but it is in complete violation of the principle of the stock and share system.

Modern Western developed countries, especially in their long-term practices in the stock and share system, have created new procedures. For example, the awards given to the operator and workers are not in the form of cash bonuses but in the form of certificates of share subscription rights. Certificate holders are entitled after so many years to buy the company's shares at the price of the current year of the granting of the certificates. If all goes well and the share price of the company goes up, then the benefits earned by the certificate holders will be larger while contrarily they will lose out. Because the method of the issuance of the share subscription certificates is a rolling one, it can effectively restrain the operator and the producers from taking short-term acts and make them combine better their current or near-term benefits with future or long-term benefits. Again, for example, take the so-called "employees' share right plan." In this the enterprise, based on the salary or wage level of the employees, assigns a portion of the shares under the name of the employees. The employees can obtain their benefits on this basis. This measure is also beneficial to bringing together the employees' interests, the enterprise's interests, and the state's interests as the owner. At the same time, in enforcing this measure, the shares assigned to the employees cannot be bought or sold. In the event of the death of the employee or his separation from the enterprise, the share right will be withdrawn. In reality it is a sort of labor share and the character of the ownership system is not changed. In addition, there is

also the plan of jointly sharing the profits which more or less can play the same role. All of the above can provide us with possible selections for solving the above-mentioned problems.

As for how to select the stock and share system in the reform of the state ownership system, it will require a careful and earnest study based on the level of the entire productive forces and differentiation in the industries. I think, seen from the current state of the productive forces of our country and suitability to future development, that the society for a rather long period from now on should practice a sort of mixed ownership system—naturally with the public ownership system as the main body and the state ownership system as the leading factor. That is, the state ownership system and the system of ownership by the whole people in its actual form, but also in the form of the stock and share system there is also the obvious special feature of a mixed ownership. Naturally, this mixed ownership again takes state shares as the main body. Its concrete or actual form may be of two kinds: First, a 100-percent state shareholding company (enterprise). This will be enforced principally in industries and trades of a natural monopolistic character; second, state-controlled enterprise, in which aside from the state shares there can be collective shares (including shares of sinking fund societies) and individual shares. These two kinds have a number of different forms. Because the purpose of this article is not to concretely analyze the share form itself, we shall not open the discussions on it here.

What needs to be especially explained is the problem of the wholly state share enterprise (state owning 100 percent of the shares). Among the scholars in favor of undertaking the stock and share system, nearly all of them adopt an attitude against this, and believe that a 100-percent state shares cannot possibly become a shareholding enterprise. In reality, the full and necessary condition for the existence of a shareholding enterprise wholly invested in by the state is the existence on a society-wide scale of various types of ownership systems and of the existence in the same ownership system of entities which separately possess independent economic interests. Such a condition we already have or can form. Speaking from the road of actual realization, 100 percent state-owned shareholding enterprises may be more realistic than other shareholding structures. Most of the practices which people have probed into such as state-owned enterprises undertaking contracting management, lease or rental management and liability management (adopting various forms such as payments into sinking funds, levying of tax or fee on using of funds, and so forth) have been carried out in the reform. Transition from this to the state using the form of share right to obtain receipts not only is highly workable but, compared with other forms, meets with much less impediment.

The socialist stock and share system is a new thing. In it the state ownership system—system of ownership by the whole people serving as the realized form has many more problems which must be looked into. But if retaining the

superior character of the public ownership system and combining it with the high efficiency rate of modern share-holding companies' management and in the process continuously perfecting the combination form, then certainly we can remove the perplexities, get out of the dilemma and enjoy bright prospects.

Footnotes

1. Hua Sheng, Zhang Xuejun, and Luo Xiaoping: "Ten Years of Reform: Review, Reflection, and Prospects," JINGJI YANJIU No 11, 1988, p 14.
2. Liu Guoguang, "Ten Years of Theories on China's Economic Reform in retrospect," carried in *New Thoughts on Economic Reform*, Reform Publishing House, 1988 edition, p 5.
3. Hua Sheng et al., "Ten Years of Reform: Review, Reflection, and Prospects," JINGJI YANJIU No 12, 1988, p 10.
4. Hua Sheng et al., "Ten Years of Reform: Review, Reflection and Prospects," JINGJI YANJIU No 11, 1988, pp 19-20.
5. Comrade Liu Guoguang earlier had said that undertaking privatization in China had no prospects. Later, in a public speech, he pointedly mentioned that "under China's situation of economic and political relations, a pure private ownership system could possibly take the road of bureaucratic capitalism." COMPARATIVE ECONOMIC AND SOCIAL SYSTEMS, Issue No 2, 1989, p 1.
6. See article by Hua Sheng, Zhang Xuejun, and Luo Xiaoping, "Prospects and Strategy of China's Reform," carried in CHINA DEVELOPMENT AND REFORM No 2, 1989.
7. See Hua Sheng et al., "Ten Years of Reform: Review, Reflection and Prospects," JINGJI YANJIU No 12, 1988, p 23.
8. Hua Sheng et al., "Prospects and Strategy of China's Reform," CHINA DEVELOPMENT AND REFORM No 2, 1989, pp 23-25.
9. Ibid.
10. *Statistical Yearbook of China*, 1986, p 596.
11. *Statistical Yearbook of China*, 1988, p 748.
12. Here we did not include all the needs of all the enterprise units because of the business units subordinate to the government, a portion of their expenditures were not embodied in this item; but considering that Comrade Hua Sheng and the others also advocated the auction by batches of state enterprise units to undertake being solely responsible for the profits and losses or subsidizing only in part, our computation conforms with their program.

13. This is said according to reasoning. It is a fact that in certain state-owned enterprises, the enthusiasm of the staff members and workers is not high. But this does not arise from the equality in the ownership of the means of production but originates from the injustice in distribution. This injustice has no connection whatsoever with the system of ownership by the whole people.

14. Hua Sheng et al., "Ten Years of Reform: Review, Retrospect and Prospects," JINGJI YANJIU No 11, 1988, p 18.

16. Hua Sheng et al., "Ten Years of Reform: Review, Retrospect and Prospects," JINGJI YANJIU No 11, 1988, p 20.

16. Engels, "Theories of Communism," *Selections From Marx and Engels*, Vol 1, p 221.

17. Engels, "Socialism, From Vain Thought to Scientific Development," *Selections From Marx and Engels*, Vol 3, p 435.

INDUSTRY

Proposals To Improve Textile Industry

HK1812065589 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 1989 pp 25-28

[Article by Deng Zhongyuan (6772 0022 0337) and Wang Lin (3769 3829), edited by An Luming (1344 6424 2494): "China's Cotton Textile Industry: Difficulties and Solutions"]

[Text] China's textile industry is basically supported by her cotton textile industry. The cotton textile industry's ups and downs affect material supplies to later-stage textile production processes like dyeing and printing, spinning and weaving, and garment manufacturing. They affect national revenue and foreign exchange earning as well under certain circumstances. In this sense, cotton textile industry is a very important issue of China's economy.

Since early this year, textile industry as a whole, and cotton textile industry in particular, has suffered a serious backlash in productivity and in profitmaking. In order to turn the situation quickly around, we need to uphold the policy of seeking truth from facts, take effective administrative measures and economic steps, bring into play everybody's positive efforts, especially the initiative of the mills that are directly involved in the industry's wealth-producing activities.

I. Signs of Danger

A. Sharp rise in cotton prices is hard to bear for the mills.

Raw cotton is an important state-monopolized commodity, the price of which has always been centrally controlled. However, it has occurred that since winter of 1988 cotton is in short supply. taking advantage of the situation, traders near some cotton producers' regions

made up tricky reasons and manipulated cotton prices. The State practically could not exercise power on price control over there.

1. Big increase of material cost to mills due to harsh preconditions. Because of cotton shortage, producers in certain cotton-growing regions set forth harsh preconditions against the implementation of the State's cotton allocation plan. Shanghai and Guizhou buyers telegraphed last March from Yancheng City, Jiangsu Province, that Yancheng Municipality had come up with the following conditions: a) In addition to paying the purchase price of cotton, buyers need to loan to suppliers a sum of money equal to the amount of purchase. Suppliers will pay interest at bank rate. b) Buyers will surrender part of their foreign exchange quota, up to 15 percent of the purchase cost, to the suppliers. c) Buyers will sell to suppliers of cotton in return, a specified amount of fertilizer or pesticide. Either one of the above conditions must be met, or else cotton will not be allocated before May of 1989. "Announcement from the State Council on the Adjustment of Cotton Purchasing Policy" in 1988, allowed a 25 yuan extra on top of cotton price per dan. But the majority producers collected an extra of 35 yuan or even more per dan, ignoring the State's announcement. Taking into account prepayments, interests, delivery and handling, and many more chargeable items at the time of purchase, the actual figure, showed up in accounts as purchasing cost of cotton, was 50 yuan more in 1989 than in 1988.

2. Cotton quality getting poorer, despite sharp rising price. During a recent cotton war, raw cotton was regraded by some sellers for higher prices. Situation worsened as the war got more fierce. Qingdao inspection bureau on textile fiber, has looked into a case of 61 batches of raw cotton delivered in January and February to the Qingdao City's 10 textile mills. These batches were tagged by producers as grade 1.1, fiber length 31.3 mm on average. The bureau discovered that the actual quality should be grade 5.1 and length 27.8 mm on average. This revealed a fake grade of 4, fake length of 3.5 mm, and a markup about 5 percent more in weight; all these equalled about 60 yuan per dan higher in selling price than the producers original marking. Since April last, prices of cotton were jacked up by a further 30 yuan to 60 yuan per dan, hence the situation became still worse.

3. Poor quality bringing difficulties to mills in getting supplies, of cotton, more waste of materials, decreased productivity, and increase cost. In spring of 1989 the Nos. 1, 2, 3 Beijing Cotton Textile Mills, trying to maintain quality standard, consumed 1088 kg of cotton for a tone of yarn produced or 23 kg more than the 1,065 kg that spring of 1988 consumed. This was equal to 1.2 million yuan increase in total production cost. Then a number of machines had to lower running speed due to weaker strength of cotton fiber, equivalent to 2 kg less output per thousand-spindle-hour, or 0.7 million yuan reduction in total profit. The above two factors together caused an equivalent of 8.63 yuan per dan cost increase of raw cotton material.

Poor cotton quality resulted in poor textile quality. In January and February the No. 2 Beijing Textile Mill's First Class Grade 1 product was 5 percent inferior in quality, and Super Grade 1 product was 40 percent poorer, causing a total loss of 0.353 million yuan to the Mill, equivalent to an increase of 7.23 yuan per dan of cotton material.

To summarize, the Chinese raw cotton traders are faking the grades, fiber length and imposing illegal charges, and sold to mills for 280 yuan per dan, or for 300 yuan in some cases, which greatly exceeds the state price limit. Taking into consideration the increased consumption of cotton, lowered quality of finished products, and efficiency in production, the actual equivalent cotton price hike may reach 100 yuan per dan in 1989 over the same period of 1988. National statistics gives cotton textile industry's annual profit as down by 7 million yuan, equal to the total profit made in 1988. In the spring of 1989, the No. 3 Cotton Textile Mills in Beijing suffered 15.8 million yuan loss in profit, or a 44 percent decrease. The six mills in Tianjin lost 17.59 million yuan, or 40 percent.

The sharp rise in raw cotton price practically lowered national income, cut mills' profit, affected later-stage production processes and created impact on the market of textile products. If the de facto noncontrol of local cotton prices is allowed to exist, yet the textile product prices are not adjusted upward to catch up with cotton, the mills will find no way to survive. Statistics on a few major textile mills in Beijing, Tianjin and Cingdao shows that the 21-count cotton yarn costs 98 percent to 112 percent of market selling price in material in spring 1989. When labor and taxes were added, the mills lost 1,500 yuan to 2,000 yuan for a ton of cotton yarn they produced. Similar scenario was seen in cotton fabrics, which had a loss of 200 yuan or so per thousand meters produced. The following cost analysis of 21-count cotton yarn has been provided by No. 2 Beijing Cotton Textile Mill:

Cost of cotton material	6,638.70 yuan
Cost of labor	831.94
Miscellaneous materials	86.21
Tax	(285.15) yuan
The cost of 21-count cotton fabric	7,887 yuan per ton
current selling price	6,787 per ton
Loss in cotton fabric production	1,100 yuan per ton

The price of 6,787 yuan was jointly set by the Ministry of Textile Industry, Ministry of Commerce, and the Bureau of Price Administration in February of 1989. The actual market price of 21-count cotton fabric was 6,170 yuan per ton, so the loss should be 1,700 yuan per ton. The cotton mill has been running under the awkward situation that a low output slows down cash circulation and a high output leads to a big loss.

B. Sharp rise of cotton price bore serious consequences.

1. Cotton textile productivity sagged. China's cotton textile industry backlashed in spring 1989. Yarn output decreased by 6.79 percent and cotton fabrics 4.56 percent. This backlash created supply demand confusion. Management of Chinese mills today adopted contractual methods such that workers' salary and wages geared up to the profit of the mill. How then can workers' income supported by poor profitmaking? No. 2 Beijing Cotton Mill ran 1.63 million yuan into the red in February. That was its first loss in 33 years since the mill's establishment. Confused with decreasing worker's income against rising cost of living, the manager-contractor was short of words to explain to his complaining workers why he could not do better.

2. The sagging cotton textile industry might lead to a backlash in the whole textile industry with respect to weakening supplies to market and hurting foreign exchange earnings. Spring of 1989 saw the decrease, to various extent, domestic and export delivery of printed calico, cotton fabrics and garments, and stocks of people's daily necessities ran low. Supply and demand relations became acute. Should panic purchasing happen again, like in 1988, the market will certainly fall apart, and that will have a significant impact on the national economy and politics.

3. Allocation of natural resources under worsening situation hurts the national economic rectification and reorganization. The State-owned, public-funded mills, which are usually big, forming the backbone of the industry, are normally operated under strict government restrictions; whereas nonstate-owned mills are given greater degree of freedom to do a wide range of business, with a bigger turnover. The current rectification policy is not "a trim regardless" but rather "just a trim." The policy is primarily aimed at major State-owned mills, thus unavoidably affecting the main supply sources of cotton products. The results are: market sales overrule planned allocation; small mills fight against big ones; inferior products win over superior goods.

II. Analyses of Current Difficulties

The difficulties confronting China's cotton textile industry today are the consequence of an old administrative system not meeting newoperation requirements.

A. The existing double standard production systems, with separate financial management, permitted the small nonstate-owned mills to expand their productive capacity considerably easily, worsening the acute supply demand situation further at the time of fluctuating cotton production.

Despite cotton being state-monopolized, "a waterfront pavilion gets moonlight first." Farmers sell cotton first to close neighbors and to nearby localities, then to the markets where they can get a much better deal, wrecking the planned cotton allocation, which is already difficult for industry to implement.

The selling of cotton yarn, normally guided by a state plan, is also under strict local administration. While the state-run mills are closely watched by all, nonstate-owned mills are allowed to buy, stock and resell yarns at any high prices and in very large quantities. At the moment, market prices of yarn exceed state-regulated prices by 2,000 yuan to 3,000 yuan per metric ton. This extra earning has gone to small mills are poor both in technology and in operation. The better-equipped and better-run mills, capable of making higher quality products, have seen their profits dwindle at an alarming rate.

Recently because raw cotton prices are unreasonably low compared with grain prices, cotton farmers turned away to growing grain. Because of low cotton prices under the double standard, financially separated industrial system, small nonstate-owned cotton mills expanded their business operations considerably. Statistics showed that in the past two years cotton textile mills capacity increased by more than 4 million spindles, demanding a supply of additional 15 million dan of cotton a year, hence further straining the supply demand relations.

B. Unprofitability of cotton cultivation turned into a motive and force, that pushed cotton prices upward to break out of state-controlled framework. Profit reduction began in 1985. In 1983 the price ratio of wheat over cotton was 1:9, and in 1988 the ration slipped to 1:6.6, and for this reason farmers refused to sell cotton at State prices. The local administrations, lacking formal directive from the State Council, set up "assistance funds" for farmers in the hope of getting more cotton for the country.

C. Price adjustment by the State has been untimely and not to the expected amount, causing a series of extra but illegal prices. As an example, the 1989 State price for cotton was raised from 176.42 yuan by 35 yuan to 211.42 yuan per dan. The price increase was too late and too small, such that the governments on provincial, regional and county levels rushed to buy cotton in nearby bordering areas, for fear that they were not able to fulfil the duty of collecting enough cotton in time. Although there might be transactions at low prices, most of the business was done at high illegal prices and in faked quality and quantity. Hebei Provincial Price Administrative Bureau found an actual field cotton price of 216.81 yuan per dan on the average over 60 counties, and this price was close enough to State prices. However, the policy of pricing according to quality was ignored, and the procedure of "one testing five determining" was not implemented in the fields. This sets up precedents for traders to fake quality and raise price further when selling cotton to mills.

D. Local administrators' rigid operations on making profits and monopolizing, pushed cotton prices upwards. In recent years, local traders near cotton growing areas have seen their profits up 20 percent year after year. In 1988 cotton and hemp operations in Hebei Province got 170 million yuan in profit. Cotton has become the main sources of income for trading cooperatives (contributing 55 percent of income), for regional and county's rich companies (making over 10 million yuan and over 1

million yuan per company respectively per year), and for workers (whose personal award is 7,500 yuan for individuals and 10,000 yuan for contractors annually on average).

In January and February 1989, Hebei's cotton and hemp operations made 1.993 million yuan total, with sales profit 3.69 percent, which exceeds the State set limit of 2 percent, and which exceeds 1988's 3.45 percent. This compares with the profit of textile industry 4.21 percent, down from 1988's 10.71 percent.

Jacked up prices cotton regarding and faked markup of fiber length have been the results of activities in tending to maximize the middle-man's gain.

E. The pricing practice of textile products, based on economic modelling, has become a major drawback in today's industries. The existing principles and bases figures in textile industry, are typical of product economy, and have not been reviewed and changed over decades in the past. They should be outdated and unfit for today's society that is moving forward towards a commodity economy. The current pricing system is not powerful enough to deter buying at the time of high demand, and does not stimulate product development at the time of low selling. Even though price is regulated, the new prices fell behind market activity and will not help a timely business decision. To be taken as a public guidance, the State pricing is intrinsically change-resistant despite the multifaceted and rapid market manouvering. Facing a quick developing market, the State prices tend to lose their authoritative power. Therefore this old pricing system has pushed China's cotton textile industry into a situation where price of materials and cost of production shoot up, and selling price of products keeps staying. The industry is fighting a losing battle of making profits.

III. Comments and Suggestions

To cope with the difficulties confronting China's cotton textile industry, special attention must be paid to the following:

A. Avoid applying old concepts to solving new problems. Recently the economy has been partly set free. This freed part will be hard to control by old methods. The new situation is that local administrations and productive organizations get double contracts, and both are finding their own ways to fulfil their contract duties. For example, the mills might find business connections lateral work on customer's materials; work "both ends overseas" and through barter trade, broaden business activity; thus these mills will have power to deal with high cotton prices. If on the other hand, the State's policy is to block buy cotton in large quantity and ban reselling them at high a market price, the policy will either be ineffective and unsuccessful, or else the freed part of economy will be squashed.

B. Be patient about seeking truth from facts and avoid being over-ambitious. Impatience in reform and reconstruction resulted in overexpansion and inflation, which

in return caused production shrinkage and economic slowdown. Now the State Council, knowing the cotton price must rise, hurried to raise the price within two months from 176.42 yuan to 211.42 yuan and again to 236.42 yuan per dan. If the state does not adjust cotton prices accordingly, the mills will not stand by to absorb all the losses, but to find measures either to reduce production or to self-administer a reasonable selling price in compensation, the former measure being defeating the purpose of rectification and reorganization, and the latter in defiance of State Council's order.

It is reported that in spring of 1989, local price adjusting was adopted nationwide yet without successfully nullifying the impact of cotton price rise. The result was a slip in productivity and profits. It would be hard to imagine what would have happened without product price adjustment by the mills.

C. Try all means to protect the backbone factories and mills. It has been China's normal practice to punish some major operations at the time of a campaign, like the current rectification and reorganization campaign, and the big mills have to fight for survival.

Therefore, major cotton mills need special protection in the coming years, since they are the supporting pillars of textile industry, big source of national revenue and of export earning.

Let the following be proposed as emergency as well as medium to long-term policies:

1. Stricter adherence to cotton allocation plans. A better and fuller utilization of cotton must be ensured as long as cotton is in short supply. Allocation of cotton must be carried out to state-planned schedule and at set prices. Local governments should make a law in this regard and supervise its execution. Reiterate the importance of State plans, and in the case of not being properly executed, the officers involved should be penalized in terms of money, and the main offenders should be dealt with administratively or be taken to court.

2. Reorganization of cotton supply system. It is proposed that the national pricing administration and fiber inspection departments should organize, together with the financial, banking and supervisory functions, to investigate this year's cotton pricing and overcharging in this respect, and to clear up the confusions. Those who forced sellers to accept a deal at low price, who raised prices, who cheated in weights, who levied extras, and who faked quality, should be tracked down and made to shoulder the blame. From now on, allocation of cotton should be arbitrated as necessary in reference to fiber inspection bureau specifications. Mills will pay to the cotton and hemp handlers a price in accordance with the certificate issued by fiber inspection bureau.

3. Correcting, adjusting and balancing the prices of textile industrial products. This is to ensure the mills getting a reasonable amount of profit, to encourage and

motivate the mills and their workers in production. The following might be appropriate:

a. To regulate various departments internally within textile industry. This measure will balance the profits between cotton textile industry and later-stage production, and to share the pressure put upon by cotton price rise, in order to ensure a smooth operation to produce yarn and fabric the two basic textile products. This might mean the re-evaluation the of the basic parameters in the contracts.

b. Let loose the prices of those products, that have no influence on market pricing index. The products are, firstly, goods mainly for export; secondly, complimentary and supplementary industrial products for internal use; thirdly, new and modern products, like fabrics superior than 60-count; and fourthly, goods that are not included in the calculation of pricing index, or not sensitive to market supply and demand.

c. Mobilize the commercial circles to make concessions for producers in exchange for better quality and supply.

d. Taking the interest of the whole nation into consideration, subsidize or reduce tax for those goods that are sensitive to market conditions, and for those daily necessity goods, such as a certain kind of cotton woven fabrics, in order to achieve "this year's price rise index should be clearly lower than last year's".

D. Build a price adjustment scheme linking cotton textiles with raw cotton, thus abandoning the old pricing methods. Based on the State Council's raw cotton price, carry out research to find reasonable cotton market prices and cotton fabric prices. Also establish new pricing principles and base figures to suit the commodity economy.

Adjustments Suggested in Management of Enterprise Funds

HK2711100889 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 9, 1989, pp 37-39

[Article by Liang Liang (2733 5328), Bi Zhiqiang (3968 1807 1730), and Zhan Dahai (6929 1129 3189), edited by Gao Xiaoxia (7559 2556 7209): "A New Probe Into the Employment of Funds in Industrial Enterprises"]

[Text] Since the improvement and rectification, insufficiency in the funds of enterprises has all along become the "bottleneck" restricting the growth of industries. Although the various localities have paid an unprecedentedly high regard to funds and adopted a series of ameliorating measures, up to the moment the state of funds shortage has shown no great improvement. The cries for funds on the part of the industrial enterprises are still very loud. Inside the enterprises, management of funds is in a confused state; the problem of serious extravagance not only has not been solved but also has been aggravated. Hence, the problem of employment of funds must be further and intensively probed.

I. Current Outstanding Problems in Management of Funds

1. The ratio of enterprises' self-owned funds being too low. Two years ago, due to the relatively lax environment in funds, bank loans could basically satisfy the demands, as a result, many of the enterprises overlooked the replenishment of circulating funds and the great proportion of the circulating funds in production operations completely relied on support from bank loans. At present, many town and township enterprises do not have a single cent of self-owned circulating funds and in some of them red figures have even appeared. In certain state-run enterprises the ratio of their own self-owned circulating funds is a pitiful one. The great proportion of the enterprises cannot fulfil the requirement of having self-owned funds equivalent to 70 percent of the fixed circulating funds and in some cases the ratio of self-owned circulating funds is as low as less than 20 percent. The causes for such a condition are: one the one hand, due to the overheated atmosphere in recent years, the majority of the enterprises paid regard to investment in fixed assets and lacked the financial power to replenish their self-owned circulating funds; on the other hand, expenditures of a nonproductive nature have been too large and this had edged out the self-owned circulating funds which should have been replenished.

2. Expenditures of a nonproductive nature being too large. Since the beginning of this year, the serious shortage of funds has definitely been a fact but many of the enterprises, while on the one hand crying aloud about the shortage of funds, on the other hand they were very lax in their management and control of funds and there was a serious phenomenon of random and extravagant spending, resulting in the abrupt inflation of expenditures of a nonproductive nature.

3. The use-composition of funds being extremely irrational. First, the growth of funds for finished products is too fast; second, growth in the requisite use of funds is higher than the output value; and third, the ratio of funds used in the circulation process is too high.

4. Existence of the phenomenon of falsehood in the profits of a portion of the enterprises. For the sake of fulfilling the contracted targets, a portion of the enterprises did not result to tapping potentials by intention but adopted the measures of not apportioning the expenses when they should be so apportioned and prolonged delaying the settlement of accounts payable so as to enlarge the current profits. This not only violated financial and economic disciplinary codes but also caused the actual hiding of large amounts of deficits in the enterprises and likewise made the employment of funds in operation fall into the state of a vicious cycle, shouldering an even heavier burden.

5. The distorted phenomena in the readjustment of the credit and loan structure being relatively serious. Since the beginning of this year, financial departments at various levels, adhering to the guideline of "controlling the total amount, readjusting the composition, protecting the major

projects, cutting down the number of ordinary projects and adjusting promptly and on time, have done much work in readjusting and ameliorating the credit and loan structure. However, because enterprises poor in their management and also poor in their economic benefits were usually slow in repaying their loans, the banks were forced, in the course of tightening their credits and loans, to "step on the brake" likewise on those enterprises reputed to have produced good economic effects and punctual in their loan repayments. By so doing, objectively they played and role of protecting the enterprises poor in their performances but depressing those enterprises with usually good performances. Ameliorating the direction of investment of funds was thus impeded and benefits in the usage of funds were greatly reduced.

6. The phenomenon of the improper use and employment of funds being relatively prominent. First, the enterprises were inclined to open many bank accounts and this was particularly evident among the town and township enterprises. Second, the ratio of enterprises funds involved in "cycling or circulation outside the enterprise body" was relatively large; it was fairly general for enterprises to resort to cash transactions in their external economic activities. Third, the tendency of delaying loan repayments has been rising. Due to the shortage of funds and the management system lacking coordination the phenomenon of enterprises habitually leaving each other's accounts unsettled was a serious one and this also applied to the financial relationships between the banks themselves. Thus, this formed a chain of indebtedness of "many levels, many forms and many channels." The existence of the above-mentioned problems on the one hand interfered with the normal financial order and procedure, weakened the supervisory functions of the financial departments and put the bank's control over the funding operations of many enterprises in the state of a "vacuum;" and, on the other hand, both enterprises with good performances and enterprises with poor performances have suffered from the shortage or lack of funds and the objectives of supporting and protecting the good enterprises and restricting and depressing the poor or bad enterprises could not be truly realized.

II. New Disadvantageous Factors To Be Confronted With From Now On

Taking a bird's eye view of the situation of funds for a stated period from now on, it may be said rather definitely that basically there will be no possibility of laxity or looseness, that the gap between the supply and demand of funds will be further widened and that the contradiction will be further aggravated. Concretely speaking, the main disadvantageous factors are as follows:

1. The interest rate for loans will be floating upward. More recently, industrial and commercial and agricultural banks in various localities have received orders from the above relative to raising the interest rate on loans and for the great majority of the enterprises the interest rate will be raised by over 20 percent.

2. Repayment of loans from the outside will be overdue. Since the retrenchment, in order to solve the contradiction of the shortage of funds, various enterprises, particularly the town and township enterprises, have actively engaged in making loans and merging funds from the outside and this has helped in promoting the development of the enterprises. However, the repayment period of this portion of loan funds is close to a half year or a year and this naturally brings a new pressure to bear on enterprises.

3. The hidden potentials of raising funds in various forms have been sharply decreasing. Since the beginning of this year, the various forms of collection or merging of funds on the part of the industrial and commercial enterprises basically have all been thrown into production and circulation sectors. This has clearly cut down the amount of funds still in the hands of the urban and rural residents while a considerable portion of the people have resorted to making use of their savings. Obviously, from now on, if the enterprises still hope to raise funds through the masses to solve the problem of insufficient funds, the possibility will be very small indeed.

4. Recovery of the funds spent on the purchases of agricultural and sideline products has been rather slow. Last year, although the agricultural and sideline products purchased by the foreign trade, aquatic products, grain, supply and marketing and commercial departments have been basically disposed of, yet because of the effects of the weak market purchasing power, quite a considerable part of the unpaid purchase accounts has not been paid up. This not only caused a stringent state in funds in the first half of the year but also produced definite adverse effects on the supply of funds in the second half of the year.

5. The technically transformed projects newly put into operation directly need the coordination of circulating funds. In the second half year, another batch of technically transformed projects will be put in operation in rapid succession. Following putting these technically transformed projects into operation, naturally they will need the coordination of a corresponding amount of circulating funds.

6. Adequate funds must be raised for the purchases of the summer and autumn grain crops. This year there are good prospects for a bountiful harvest in agriculture. Purchases of summer grain and autumn grain in the various localities will require quite a sizable amount of funds. The provision and raising of this portion of funds will mainly rely on literally "demolishing one part of the wall to rebuild the wall's another portion," and hence the availability of funds for loans to the enterprises will be greatly curtailed.

In addition, the too-rapid rise in commodity prices and lowering of the prestige of banks will more or less produce adverse effects on the amount of savings deposits.

III. Principal Countermeasures

How to solve this critical problem of the stringent state of funds? In the writer's opinion, under the current conditions we must firmly insist on finding new sources

of funds and practicing economy, simultaneously borrowing from the outside and tapping the internal hidden potentials, seeking cooperation and support from the financial and currency departments and having the enterprises make united efforts among themselves. Concretely speaking, we must emphatically grasp well the "six reliances."

1. Reliance on scientific management and tapping the existing potentials of funds. At present, seen from the benefits displayed by the funds, they still stay at a rather low level. In some cases, the benefit targets of funds have shown a downward trend each year. It may be definitely said that internally in the enterprises the hidden potentials of funds are very great. Hence, enterprises at various levels must take the tapping of the hidden potentials of funds internally in the enterprises as the principal task to grasp in invigorating their supply of funds. They must put the major points of their work on augmenting marketing and sales, removal of stockpiling, sternly collecting outstanding accounts, speeding up the return flow of funds, and to a maximum degree improving the benefits of the use of funds. As for those outside units owing outstanding accounts which they have refused to pay, we should give attention to seek help from the courts and make every effort to collect the accounts as soon as possible. Economic control departments, departments in charge of industries and the various enterprises should strengthen their management and assessment work on funds. From now on, in addition to assigning a ranking to enterprises with respect to their output value and amount of profits, a ranking should also be assigned regarding the results of their use of funds, and we should link together the effects of their use of funds with evaluation of the work of the departments at various levels on their distribution of profits of the enterprises, improvement of the quality of their management, competition and matching up with the advanced units. The various departments in charge of industries should organize forces to grasp well those enterprises whose management is in a state of confusion and whose benefits and effects from the use of funds are poor and make them improve and rectify their order and procedure in the employment of funds as soon as possible.

2. Reliance on readjusting the structure of the industrial products and the basic enlivening or invigoration of the usage of funds. This year, aside from the objective causes, an important cause for the extremely stringent state in the funds of the industrial enterprises is that the composition of the industrial products has not been at all rational. The great proportion of products show a slack, weak and stagnant trend in sales, leading to the serious situation of a sharp increase in the stocking of goods in the warehouses and the large over-stocking of products. In order to rectify this distorted and passive state, it is necessary to take the grasping of readjusting the structure of the products as a major strategic measure. Regarding the guiding ideas on readjusting the structure of the industrial products, they should include a firm insistence on execution of the state's industrial policies, paying due regard to the realities of the localities, and

planning and formulating a policy for developing industrial products imbued with the characteristics of the localities as well as a concrete development program for the industrial products; it is necessary to grasp well the readjustment of the structure of those industrial products which fit in with current demand and those which are suited to future demand; it is necessary to grasp well the readjustment of the structure of industrial products which can produce quick results at the moment as well as products that can produce long-term and lasting effects; and it is necessary to grasp well the readjustment of the existing volume of capital funds as well as the new and increased volume of capital funds. In the readjustment of the structure of industrial products, we should firmly insist on the "four combinations," namely, combination of the lateral economic combines; through the "grafting" of strong points, combination of speeding up the readjustment steps with technical transformation; through the centralization of the limited capital funds and material resources combination of the major development of industries and products with good future prospects with foreign exchange earning from exports; and combination of bringing up products to higher levels and grades by means of connections with the international market by displaying the strong points of the localities through developing the economies of a regional nature and forming industries and products that possess special and strong points in competition. In the establishment of a healthy adjustment and control system over the structure of industrial products, it is necessary to formulate and perfect the relevant encouraging and restrictive policies and to employ such economic levers and coordinating policies as finance, currency, taxation, prices and investment to create an environment which is advantageous to the readjustment of the structure of the industrial products. It is also necessary to speedily improve and perfect the market system for the essential factors of production; adopt various ways and means such as encouraging the strong enterprises to amalgamate with the weak enterprises, and so forth; and guide and stimulate the essential factors of production to congregate in the industries designated for major development and in the products of a strong or superior nature, thus forming a "dragon head" to lead the readjustment of the industries and products.

3. Reliance on opening up many fund-merging channels, so as to enlarge the sources of funds. In the first half of this year, by means of various forms the various localities have borrowed and merged large amounts of funds from the outside. To a great extent this has solved the immediate needs of the enterprises for funds. Actual practices have shown that this is an important channel and source for the procurement of funds and that it has great hidden potentials. We should continue to hold firmly to it, not to abandon it but to go all out to effect liaison with various sides and merge inward as much as possible this portion of funds so as to meet the need for funds in normal production inside the villages, towns, departments and enterprises themselves. Meanwhile, we

should continue to consolidate and develop the cooperative relations between the original funds and strive to extend the time limit for the repayment of the contracted loans.

4. Reliance on improving and perfecting the supervisory and restrictive mechanism and fixing a standard for the enterprises' operations in respect of funds. From now on, organizations at various levels should make full utilization of the credit and loan policy of raising the interest rate on loans to educate and guide the enterprises to correctly handle the relationships between accumulation and consumption and between replenishing self-owned circulating funds and the addition of fixed assets. Financial departments and departments in charge of industries should cooperate with the enterprises to formulate annual plans for replenishing self-owned circulating funds, and to strive for the objective of enabling the great majority of the enterprises, after three to five years of effort, to possess in their hands self-owned circulating funds that are near or meet the state's prescribed standards, thus to protect them against unexpected attacks from the outside. The various specialized banks should display and exercise their supervisory and adjusting functions to urge the enterprises to replenish their self-owned circulating funds according to the prescribed requirements.

5. Reliance on improving the financial orders, and augmenting the banks' adjusting and controlling functions. In recent years, due to confusion and disarray in the financial order and situation, the banks' adjusting and controlling functions have been weakened to a great extent, allowing the enterprises to perform many irregular transactions in the use of funds. In order to solve this problem, it is essential to grasp this keynote of improving and consolidating the financial order. People's banks in the various localities should take the lead, reinforced by participation from the specialized banks, to satisfactorily handle, according to the different circumstances, the question of the enterprises each opening many banks accounts. The enterprises should be allowed to open a main account with the people's bank so as to restrict the "speculative" acts of a portion of the enterprises. Regarding the problem of the "cycling or manipulation outside the enterprise body" of funds, the financial departments should carry out research on the special topic and work out corresponding countermeasures so as gradually to reduce the ratio of such manipulations. In regard to savings, improvement of the quality of service should be placed on the top position, reliance must be laid on good-quality service to attract depositors and the past practices of conducting "campaigns" and "competitions" to widen the savings network should no longer be continued.

6. Reliance on displaying the spirit of plain living and staging hard struggle and on achieving results from "double increase and double economy." Plain living and hard struggle are the glorious traditions of our party and serve as an important guarantee to good performances in economic work. We must educate the vast masses of cadres, staff members and workers to hold firmly to the

ideals of working hard to achieve accomplishments, running the plants in diligence and thrift, and to pass days of self-denial, to greatly develop the "double increase and double economy" campaign and to outstandingly grasp practicing economy and being thrifty in expenses. Starting from the leadership itself and starting from each and every small bit, we should firmly step on the brake against luxury, extravagance and spending money freely.

Anhui Port City To Be Developed as Industrial Center

*OW0212041689 Beijing XINHUA in English
1526 GMT 1 Dec 89*

[Text] Hefei, December 1 (XINHUA)—China will invest three billion yuan in the next six years to turn Tongling, a port city in southern Anhui Province, into a nonferrous metal, chemical and building material production center, Mayor Wang Yang announced recently.

The city area boasts more than 30 kinds of minerals, including copper, sulphur, iron, gold, silver, coal, limestone and marble.

During the 1990-95 period, the city will build a cement factory with a daily production capacity of 4,000 tons, a chemical works producing 240,000 tons of compound fertilizer per year, a production line with an annual capacity of 200,000 tons of sulphuric acid and a production line turning out 2,000 tons of fine filament, annually, Wang said.

Construction of the area's first highway bridge over the Yangtze River will be started next year. The city will also build two highways respectively linking the city with Hefei, capital of Anhui, and with the scenic spot of Mt Huangshan.

The World Bank and the governments of Japan and Canada have agreed to provide \$100 million in loans for these projects.

Guangxi Processing Industry Improves

*OW0412083689 Beijing XINHUA in English
0227 GMT 4 Dec 89*

[Text] Nanning, December 4 (XINHUA)—The Guangxi Zhuang Autonomous Region has made progress in processing and assembling products with client-supplied materials and parts since 1979 when China started its national reform and open policy.

According to a regional government report, between 1979 and 1988, Guangxi obtained a total of \$26.825 million from processing and assembling businesses, imported 4,100 pieces of equipment for processing and employed 53,000 more people.

The first ten months of this year saw 123 enterprises in the region conclude 110 contracts and agreements

involving \$23.067 million, accounting for 86 percent of the total income of processing and assembling businesses over the past ten years.

The businesses mainly involved the garment, electronic toy, leather glove, man-made gem, pearl necklace, machinery and electrical appliance industries.

Hubei's Industrial Production Up in November

*HK1012021689 Wuhan Hubei Provincial Service in
Madarin 1000 GMT 7 Dec 89*

[Excerpts] Industrial production in our province considerably improved in November, and changed the situation of production decline in September and October. In November, total industrial production output value of the whole province was 3.9 percent higher than the same period last year. This indicated that annual production quota had been overfulfilled. From January to November this year, accumulated industrial production of the whole province was 5.2 percent higher than the same period last year. This was close to the quota set by the provincial government. [passage omitted]

Relevant responsible comrades of the Provincial Economic Commission pointed out yesterday: At present, industrial production of the whole province is still facing a very grave situation. In the course of implementing the spirit of the 5th Plenary Session of the 13th CPC Central Committee, we must further grasp well improvement and rectification. We must make great efforts to solve the problem of market. In the meantime, various localities must focus their attention on tapping their internal potentials to strive for a faster speed and better results this year.

Liaoning Overheated Industrial Production Slows

*OW0712060289 Beijing XINHUA in English
1325 GMT 6 Dec 89*

[Text] Shenyang, December 6 (XINHUA)—Overheated industrial production has continued to slow in northeast China's Liaoning Province as a result of the campaign to improve the economic environment and rectify the economic order.

The province, which is China's largest heavy industrial center, registered last month an industrial output value of 7,428 billion yuan, only 0.9 percent more than the same period last year.

Industrial output for the first 11 months of this year was valued at 82.29 billion yuan, a 4.2 percent increase over the same period last year.

Production of raw materials and export-oriented commodities has increased steadily.

In November, the output of ferrous and nonferrous metals saw an increase of 9.8 percent over the same

month last year, and the production of export-oriented commodities this year has increased by 2 percent over last year.

Shaanxi Aviation Industry Flourishes

*HK1812072189 Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese
No 49, 4 Dec 89 pp 6-8*

[Article by Chen Zhiqiang (7115 2535 1730) and Du Yuejin (2629 6460 6651): "The High-Flying Shaanxi Aviation Industry—Visiting China's Largest Aviation Industry Base"]

[Text] Shaanxi Aviation Industrial Base, which is located deep in Qinling Mountain Range's north-south zone in China's hinterland, emerged to the world with its gigantic production scope and solid technological strength when reform and opening up peeled the mysterious shroud from China's war industry. A strong modern coloring has been added to this ancient land "which boasts the capital of many emperors and numerous historical sites."

In recent years, this largest aviation industry base in China today has changed from rendering exclusive services for defense building to rendering overall services to economic construction, and from its development by severing all international ties to talks and cooperation with the world's aviation industry circles. It has arrested the attention of personalities, Chinese and foreign, in economic circles.

Developing and Growing in Overall Construction

The Shaanxi aviation industry was first initiated, on the basis of Xian Aircraft Factory, in 1958. Its development and growth were made possible only after "the strategy of third line building" was implemented in China.

Based on the international and domestic situations in the mid-1960's, the CPC authorities referred to the postwar Soviet experiences of building an industrial rear base around the Ural Mountain Range and made the strategic decision to found a rather complete third-line industrial base deep in the hinterland of China's northwest, southwest, and central south regions.

China's strategists classified the coastal and border regions as the first line; Yunnan, Guizhou, Sichuan, southern Henan, western Hubei, western Hunan and part of Shaanxi, Shanxi, and Guangxi as the third line; and the areas between the first and third lines as the second line.

Based on Chairman Mao Zedong's instruction, the CPC Central Committee required all departments of China's war industry to firmly readjust their first-line industries and focus their efforts in building the third-line regions in October 1964.

The decisionmakers of China's aviation industry highly prized the north-south zone in Shaanxi's Qinling Mountain Range for its strategic advantages. In early 1965, China's aviation industry started third-line building there which took a decade. On a grand and spectacular scale, the Shaanxi aviation industry rapidly developed in the course of third-line building and has become a base for the development and production of large and medium types of aircraft of the largest scope in China's aviation industry system.

There are now 47 enterprises and institutions here. The base boasts 28 enterprises specialized in the production of aircraft, aircraft engines, and equipment; six large research institutes specialized in aircraft design, flight experimentation, strength testing, aviation control and aeronavigation, and aviation calculation technology; and, in addition, two institutions of tertiary education specializing in aviation. The number of workers and staff totals 125,000, accounting for one-fourth of the workers and staff members of China's aviation industry. The original value of fixed assets was 2.63 billion yuan, accounting for one-third of all China's aviation industry.

Two "Leading Enterprises" in the Qinling Mountain Range North-South Zone

When speaking of Shaanxi aviation industry, people would always mention the two "leading" enterprises, Xian Aircraft Industrial Company and Shaanxi Aircraft Manufacturing Company which are separately located in the northern and southern sections of the Qinling Mountain Range, because the bombers and "Yun-7" and "Yun-8" air freighters produced by these two companies focally embodied the strength of Shaanxi aviation industry.

Xian Aircraft Industrial Company, which is located in the Jingshan foothills on the banks of the Wei He in the north of the Qinling Mountain Range, is the base for the design and manufacture of the 100-ton large and medium aircraft for military or civil purposes. Its accumulated fixed assets are in the region of 500 billion yuan and it covers an area of some 3 million square meters with some 6,000 items of equipment of various descriptions. It boasts a whole range of 20 design research centers and first-rate laboratories undertaking experiments in such systems as flight control, hydraulics, oil-fueled power force, power supply and network, and environmental control. The general assembly workshop is tall and spacious, and capable of housing eight Boeing 737's, or six Boeing 757's. In the 31 years since its founding, this company has succeeded in turning out some 200 large- and medium-airplanes in over 30 models by copying, surveying and drawing, improving on, and remodelling foreign aircraft, or by designing its own. The "Yun-7," developed and manufactured by this company, entered service in civil passenger traffic for the first time in April 1986 and ended the era whereby foreign airliners monopolized China's home air lines. After several years hard work the "Yun-7" planes have developed into the largest group of aircraft in China's civil aviation. Located in the southern hill slopes of Qinling Mountain Range,

Shaanxi Aircraft Manufacturing Company is now turning out "Yun-8" air freighters as its pillar products. On the banks of the Han Jiang, this factory, which produces large and medium aircraft, boasts the largest general assembly workshop in Asia, which spans 72 m in breadth and is capable of assembling five "Yun-8" planes simultaneously. The "Yun-8" medium-range, medium-size air freighter it turns out has a 20-ton load capacity and two Liberation-brand trucks can enter it at the same time. In 1987, the "Yun-8" entered the world market for the first time, initiating the precedent of China exporting medium-size aircraft.

Six "Unique" and Two "Largest" Enterprises of Their Kinds in China

Talking about the advantages of Shaanxi aviation industry, Deputy Director Liu Shaochen [0491 1421 1057] from the province's aviation industry administration said: Compared with other aviation industry bases in China, Shaanxi also boasts "six unique" and "two largest" enterprises in China, apart from the two aircraft manufacturing factories mentioned above.

The six "unique" institutions or enterprises are as follows:

- China's one and only large aircraft strength-testing base, namely the research institute for testing aircraft structural strength. It is China's test center for research into aircraft structural strength. The static-testing laboratory in this research institute is capable of static-testing an entire large airplane. This laboratory has conducted damage testing on an airplane as big as a Boeing 707 suspended in midair. When the experiment is under way, 3,064 upward loading points are applied to the whole plane, in addition to 3,435 downward loading points, with a maximum load of 3.3 tons. The additional load starts at zero and is increased harmoniously, step by step. Only a few aircraft manufacturing factories in the world today are capable of conducting such a difficult experiment with such large scope static-testing equipment.
- China Research Institute for Aircraft Testing is the sole and authoritative organ for the finalization and trial flights of aircraft, aeroengines, and major aircraft equipment and it ranks top in Asia in scope. The research institute boasts some 50 airplanes of all types devoted to testing, and a trial flight regiment rich in experience, apart from a variety of aircraft, a rather complete flight guaranteeing system, and a ground handling system. It has also built modern ground equipment and aircraft test loading and ground handling systems. In the more than 30 years since its founding, this trial flight base has conducted trial flights, for assessment at national level and also for scientific research, of over 30 kinds of aircraft, 20 types of aeroengine, voluminous electronic products, and fire control and aeronautical lifesaving systems.
- China Research Institute for Aeronautical Automation is the sole research center specialized in aviation control and inertial navigation. It boasts a series of scientific research equipment in its laboratories for aircraft control and inertial navigation. Its 5,000 square meter purified simulation test ground for aviation control system is up to the U.S. Federal 10,000-level purification standard. It has successfully developed flight control systems for bombers, pilotless target planes, and helicopters, and made progress in such domains of scientific research as inertial navigation, stability-increasing flight control systems for new aircraft, and topographical tracking flight control systems.
- Shaanxi Aeronautical Hydraulic Parts Manufacturing Factory is China's sole factory specialized in the production of landing gear for large aircraft. It boasts complete and perfect qualitative and quality testing facilities for its products. Various types of hydraulic and air-driven products by other manufacturers can also be tested here for airtight quality, strength, life span, quality, or other special testing under normal, high, and low temperature conditions.
- Huaxing Aeronautical Wheel Company is the major factory producing aircraft wheel and brake systems for various types of airplane. It boasts China's sole test bed for aeronautical wheels and the test bed for the inertia at takeoff and landing of large aircraft, which are rare in the world. All technical indexes of the disc brakes and the hubs produced by this company with advanced Birmasil and wrought aluminum as raw materials are up to advanced standards at home.
- Qinling Electrical Appliances Company is the sole scientific research center and production base for the main power supply system and aeroengine igniter on aircraft. It boasts complete and perfect organs for scientific research and design, advanced processing equipment, and reliable test facilities. Over the past more than 20 years this company has designed, and remodeled, some 100 whole-ranging power supply systems for a dozen or so new Chinese airplanes. The various molds, cleats, cutters, and measuring tools, and all kinds of electrical products for testing mechanical energy, which it produces, are marketed in over 20 countries in Asia, Africa, Europe, and America. The two "largest" enterprises in China are as follows:
- The Far East Machine-Building Company is China's largest factory to develop and manufacture fuel-control systems for oil-driven aeroengines. It has shaped a whole-ranging production system and quality-guaranteeing system from the mechanical processing of workblanks and casting, to surface heat-treatment, assembly and testing.
- Hongyuan Forge-Foundry Works is the largest of its kind in China. It boasts a Chinese made 63-ton anvil-free colliding forger, which is the only one in China and its forging capability ranks top. In the more than 20 years since its founding it has produced forge-foundry goods of various categories for some

100 enterprises in the such trades as aviation, aerospace, weaponry, petrochemistry, machine building, transportation, power, textile, and food. In 1985, the U.S. Boeing Company approved it as the first Chinese factory to supply it with forge-foundry goods. In recent years this factory has established operational relations with enterprises in such countries and regions as Hong Kong, the FRG, Canada, Singapore, the United Kingdom, and the United States.

Through building and development over the past more than 30 years, Shaanxi aviation industry possesses a comprehensive and wide ranging capability for the development and production of aircraft with a solid technological strength characterized by its application of multiple branches of science, specialties, and complete techniques. It has become China's modern, science and technology-intensive processing and manufacturing industry.

Combining Military and Civil Purposes; Marching Toward the World

Since the 3d Plenary Session of the 11th CPC Central Committee in 1978, the combination of military and civil purposes in China's war industry has gone through the strategic change from "taking military purposes as the key" to "taking civil purposes as the key." In implementing the principle of combining military and civil purposes, Shaanxi aviation industry has persistently adhered to the principle of "taking aviation as the key" and placed the development of aircraft on top priority. In recent years the province's aviation industry has exerted its main efforts in developing and producing 3 types of aircraft for civil purposes, the "Yun-7," "Yun-8," and "MPC-75," under the premise of guaranteeing the completion of military aircraft development and production.

At the same time, many enterprises have also paid attention to developing marketable products for civilian use with a close resemblance in technological requirements. They have developed and strengthened themselves in rendering services to the technological transformation of the national economy and making the market thrive.

Through readjustment in the product mix and industrial setup, Shaanxi aviation industry has ended the structure characterized by exclusive weaponry production, while the production of products for civilian uses has made rapid progress. The 1989 output value of products for civilian uses will be 17 times that of 1980 and hopefully it will account for 81.5 percent of the industry's gross industrial output value. At present, these enterprises have gradually shaped production capabilities for over 300 products in five categories—civil aviation, energy resources for transportation, textile machinery, refrigerators, and packaging for export—to bring in hard currency, while it provides equipment for the technological transformation of over 20 trades on the home front. While developing the home market, Shaanxi aviation industrial enterprises have also taken an active part in opening the world market and have

organized the export of aviation and non-aviation products. The export of "Yun-8" medium air freighters and nonaviation products such as tools, measuring devices, and clamping apparatus has begun. Some 40 varieties of products from 15 enterprises in the industry have entered the world market and the amount of hard currency earned is increasing with each passing year. In 1988, the whole industry brought in foreign exchange worth \$21 million; hopefully, it will bring in some \$30 million in 1989. Under the situation of reform and opening up to the outside world, Shaanxi aviation industry has established ties with clients in some 30 countries and regions in the world. Through extensive international economic and technological cooperation, Shaanxi aviation industry has acquired the effects of a high technological starting point and rapidity in approaching world level in many domains.

—The 100-point coordinating, load-testing system imported by the research institute for testing aircraft structural strength is capable of operating with additional loads and computerized control in the whole process of testing. The computer is capable of automatic circuit and data-processing testing, the efficiency being improved by tens of times, and has brought about qualitative changes in the testing methods of the research institute.

—Units, including the Xian Aircraft Industrial Company, have processed foreign aircraft parts with imported designs and materials (samples), or under subcontracts. In producing the last category, relevant factories have improved their technological levels to various degrees and achieved the effects of less costs, shorter transformation period, and quick economic results.

—To improve the technology in manufacturing aero engines, Xian Aero Engines Company has imported the manufacturing technology of the British Rolls Royce Spey [si bei 4828 6296] turbojet engine. It has imported voluminous modern equipment to form a whole production and testing range, most of which being world first-rate equipment. Through trial production of Spey turbojet engines this company has mastered 13 world's advanced level technologies, including metal-coating, vacuum heat-treatment, pipe trajectory welding, vacuum borer welding, digital-controlled pipe bending, and electrolysis of large engine casings, and 46 techniques and technologies of Chinese advanced level, including the molding of soft punch and cavity and vermicular ground finishing. This has narrowed the gap between China's level and the world's advanced level in aeroengine manufacture.

Taking Aviation Industry as the Base To Make Greater Progress

China has a vast territory and bright prospects for the development of its aviation industry. In recent years, the volume of passenger and freight transportation in China's civil aviation has grown by a wide margin. With economic development, China's air transportation will rapidly increase specialized services for agriculture, forestry,

animal husbandry, sideline production, industry, and mining. Such a situation requires the procurement and renovation of a very large number of aircraft. Defense modernization and export and trade development requires high-quality aircraft. Relevant specialists forecast that prior to the year 2000, the aircraft supply-demand contradiction could be rather acute on the home front.

To meet such a situation, Shaanxi aviation industrial circles have decided to make full use of the favorable conditions of reform and opening up to augment scientific research in a big way, to actively unfold international cooperation, and to further step up the renovation of aircraft to meet the demand of the future market. It is learned that in the first half of the 1990's, Shaanxi aviation industry will put the development of civil aircraft on top priority, with the focus on developing "Yun-7," "Yun-8," and other aircraft for newly opened branch lines. It will also take an active part in the development and production of aircraft for domestic trunk lines to continuously provide aviation equipment which is safe, economical, and comfortable for China's civil aviation. To augment defense building, the Shaanxi aviation industry will also study and develop high-quality military aircraft with focus on providing exquisite and fine equipment for the Chinese Air Force, step by step. While continuing to open up the home market, Shaanxi aviation industry is planning to increase its aircraft exports.

According to the briefing by an official from the Shaanxi Aviation Industry Administration Planning Department, the product mix of Shaanxi aviation industry will be readjusted toward "taking aviation as the base, with civil aviation as the key."

Shanghai Industrial Output Increases

OW0412181389 Beijing XINHUA in English
1457 GMT 4 Dec 89

[Text] Shanghai, December 4 (XINHUA)—November industrial output value in Shanghai, China's biggest economic center, was 9.177 billion yuan, an increase of 1.8 percent over October.

Statistics from the municipal statistical bureau show that from January to November the city's accumulated industrial output value was 103.437 billion yuan, 5.6 percent more than the same period last year. The output value of light industry was 56.755 billion yuan and heavy industry was 46.682 billion yuan.

The city's exports in November reached 1.308 billion yuan, 6.8 percent more than in October.

Shenyang To Boost New Technology, High-Tech Industries

OW0712075689 Beijing XINHUA in English
0148 GMT 7 Dec 89

[Text] Shenyang, December 7 (XINHUA)—Northeast China's Shenyang City, capital of Liaoning Province, has

begun a pilot program to boost new technology and high-tech industries in order to promote the transformation of its conventional industries.

Under the program, which is aimed at upgrading the city's industrial production, some 133 new technology and high-tech projects will be developed by 1995. Some of the projects involve robotics, integrated circuitry, new materials and bio-technology.

The program will cost an estimated 325 million yuan. After all the projects go into operation, they are expected to produce an annual output value of 2 billion yuan as well as rejuvenate the conventional industries in Shenyang.

Enterprises in the city, China's largest heavy industrial center, are suffering from outmoded equipment. Seventy percent of the equipment is at the technological levels of the 1960's. Products are obsolete and expensive.

After the program is completed, most of the enterprises will be equipped with late 1980's level technology.

Sichuan Industry Realizes Steady Development

HK0112200589 Chengdu SICHUAN RIBAO in Chinese
9 Nov 89 p 1

[Report by SICHUAN RIBAO correspondents: "Continue To Improve and Rectify, Keep Industrial Production in Steady Development—Commentary by Our Correspondents on Sichuan's Industrial Production in the First 10 Months of 1989"]

[Text] This year during reorganization and rectification, China adopted a policy of tightening credit and finance, cutting down investment on fixed assets and credit, and reducing the speed of increase in consumer spending by stages. Under this policy, the province's industrial production has generally been in a steady development over the first 10 months of 1989. The provincial Bureau of Statistics provided the January-October figures, to show an aggregate output of 54.6 billion yuan, up 5.03 percent over 1988. Heavy industry has been up 7.93 percent; light industry up 1.55 percent; public-owned industry up 3.82 percent; and collective-owned industry up 8.28 percent. 21 cities, prefectures and regions, excepting Yibin Prefecture and Luzhou City, industrial output all increased to some extent.

Needless to say, in the course of steady development, our provincial industrial output increase has been slow, and this is the same all over the country. In September and October, increase has been negative, or minus 1.15 and minus 1.05 percent respectively. For the next 2 months, the situation will not likely change due to capital shortage, slackening market, heavy stockpile of unsold products and other difficulties yet to be overcome. Hence the speed of increase originally planned at the beginning of this year may not be achieved.

This year's low speed of increase is evidently in sharp contrast with the 1988 increase of almost 20 percent. But

does this mean that, as a result of reorganization and rectification, a "big slip" has occurred? It is necessary to analyze the situation correctly. First, we should realize that the 5.03 percent increase over the 10 months is based on last years' 17.8 percent excessively high speed of increase. Last years' heated consumer spending, and the panic purchase rush beginning in August, put pressure on industry for a high speed of increase. In September, the provincial output was 17.8 percent over 1987. This should be one of the many items to be corrected in this years' reorganization and rectification. In this sense it should just be normal to see a slow down for the 10 months. Secondly, the positive aspects of industrial slow down must be understood. This year industrial products related to national needs or to people's daily necessities, basically maintain a steady trend of month by month increase, whereas the slow down of products is largely due to sluggish market, or not regularly being demanded for daily life needs. Those products, of which the September/October average output shows a reduction of 15 percent or more, are color television sets, radio receivers, audio recorders, washing machines, cameras, refrigerators, and motorcycles. On the contrary, energy resources, material supplies, and people's necessities such as clothing, sugar, salt, synthetic detergent, coal, natural gas, electric power, and "3 acids 2 alkalis" all increase by 5 percent, some over 15 percent. Third, the industries have improved economic effectiveness. In the first 9 months, the province's budgeted publically owned industries fulfillment of profit taxation plan and payment of profit taxes increased by 8.64 percent and 14.35 percent respectively, and financial gains increased by 18 percent over last year. Indices on profit and capital interest were achieved better than the national average figures.

To summarize, it is not difficult to realize that the positive results of the measures in improvement and rectification has been demonstrated in the province's industrial production. The evidence is: excessive expansion speed of economy being deterred, high speed industrial production being brought onto a more reasonable level, and output of various products being adjusted towards a balanced proportion.

Of course this does not imply a toleration for overlooking the acute situations facing the industry. The emerging phenomena in the second half of 1989, like slackening market, heavy stockpiling of goods, shortage of capital, has undoubtedly added difficulty to the existing problems of high energy demands, raw material shortage and communication overload. However, there is no need to give up hope. It will not help to take a careless or pessimistic attitude towards these difficulties. The key to the solution lies in the better understanding of the difficulties cumulated through those years of very ambitious economy. We must struggle arduously, stand on our own feet, improve ourselves, be firm and unshakable in carrying out improvement and rectification, and reform on a deeper level. The province sees there are so many existing difficulties, but the major one on a deeper level is the composition of

industrial products. It is necessary to grasp the current opportunity of a slack market, take the initiative to reshuffle the industries, and adjust product composition, and to go on to balance the internal profit proportions, and drive for a smooth supply and demand relation. These will certainly help to achieve the goals of improvement and rectification. Our success will also depend upon further strengthening of management, on in-depth internal reform, on bringing the initiative and zeal of staff and workers into full play, and lastly, on the strong backing given by the commerce and finance departments.

FOREIGN TRADE, INVESTMENT

Internationalized Business Management Called Inevitable

HK0412061589 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 10, 1989 pp 37-41

[Article by Deng Zhiyang (6772 1807 7122), edited by Tong Zetian (0157 3419 3944): "Views on the Internationalization of China's Business Management"]

[Text] Internationalization and transnationalization of business management have become an inevitable trend and have deeply affected world economic development today. This is closely connected to our country's open door policy, forcing us to participate in international economic cooperation and compete on the international market. Therefore, to push for internationalization and transnationalization of the management of our country's enterprises, as well as building a structure for it, is very important in implementing economic strategies for our coastal areas.

I. New Changes in Current International Trade

Since the 1970's, three economic trends have occurred in the world: overseas investment, transfer of industrial structures and the new scientific and technological revolution. As a result, transnational companies, multinational enterprises and synthesized businesses have spring up, constituting the major framework of international production and trade. They not only control domestic imports and exports and monopolize world trade, but push forward the operations of the international economic network, creating a series of dramatic changes in international trade. These are:

A. From trading of a single commodity to combined trading in commodities, technology, and services.

Pounded by the three economic trends, the international commodity market has changed to the extent that it has triggered great changes in the substance and pattern of international trade. These changes are: 1) Some developing countries, in order to turn around their huge trade deficits, have formulated economic strategies of import and export substitutions, whereby they introduced foreign advanced production, technology, management and sales techniques, and absorbed them into their own

industrial and technological development programs. They have also allowed large quantities of foreign capital and technology to come in while making their own overseas investment and exporting to other countries. 2) Competition in commodities on the international market has become competition in technology. To obtain new technology, developed countries have constantly expanded the mutual transfer of technology and made investment in each other's countries. International trade has thus been marked by tangible technical commodities, such as mechanical equipment, as well as by intangible technological services, such as production skills, technological patent rights, technological secrets, management and sales techniques. This kind of technologically-based trading has become the mainstream in international trade.

B. From single-product international transactions to transactions and productions combined in the international scope.

The new scientific and technological revolution has sharply raised the production level in the world. The rapid growth of productivity has elevated production from the confines of one country to an international level. Commodities, capital funds, and production have been operated internationally on a full-scale, creating world-wide trade and leading to enhanced international cooperation in commerce and industry; and a closer link between labor and trade on an international scope.

C. From external market transactions on a country-to-country basis, to internal market transactions by transnational companies.

There are two patterns in the international trading market: 1) The external market formed by bilateral trade deals. Because of differences in the level of economic development and foreign trade controls in each country, this type of market is full of all sorts of divergences, and is an incomplete (imperfect) market. It has brought many obstacles to international trade and increased the cost of transactions. 2) The internationalized internal market shaped by transactions between the parent company and branch companies, or between branch companies. This type of market can protect transactions, and is capable of establishing a steady demand-and-supply network for the parent company and its branch companies, or between branch companies. It can reduce the risks of transactions, cut down the costs of transactions and lower prices. This represents a marked change from traditional international trade. The transacted items in this category are mainly raw materials, spare parts, and semi-finished products. Although trade is conducted on a transnational basis, the quality, sales direction and prices are still controlled by the parent company and do not have to go through negotiations between countries. The trading partners belong to the same company, and their deals have nothing to do with the host country. In this way, the trade relationship between two countries has changed.

D. Enterprises have changed from being managed by local entrepreneurs to being managed collectively by a group of international entrepreneurs.

Domestic enterprises are business groups led by local entrepreneurs, while transnational and multinational enterprises are formed by groups of international entrepreneurs with businessmen in the parent company as the nucleus, and overseas businessmen as the associates. For examples, the Exxon Oil Company of the United States has 500 branches spread over 100 countries, forming a huge network comprised of international entrepreneurs. This kind of international group of entrepreneurs far exceeds local business groups in number, quality, and nationality. The international businessmen have a better understanding of complex international politics, economic environments, and cultural differences. They are more able to deal with massive, complex, and aggressive market competition. International businessmen are a vital social strength in the development of the national economy.

The current, huge changes in international trade have made us realize that we must reform our way of thinking to achieve a better understanding of international trade, adopt new behavioral patterns; and push for internationalization and transnationalization of our enterprises.

II. Some Understanding of the Internationalization of Business Management

The internationalization and transnationalization of business management are connected with direct overseas investment and international competition. Therefore, to fully understand the relationship between our country's investment abroad and the introduction of foreign capital—as well as to fully evaluate the conditions for our country's direct overseas investment—is important when we are striving for our enterprises to be internationalized and transnationalized.

A. Direct Overseas Investment and the Introduction of Foreign Capital

Some people say we have to let foreign capital come in because we have a surplus of labor and a shortage of hard currency. They say further that if we invest abroad directly, employment and exports will be reduced and the domestic economic growth rate lowered. But examples of international investment have shown that allowing foreign capital and technology to enter, while at the same time exporting capital and technology, is a current trend in direct international investment. Among the countries which import and export at the same time, there are countries with sufficient funds, as well as those with medium-level incomes (Brazil and Mexico), and low-level incomes (Nigeria and India). The economy of each of these countries boomed during the process of imports and exports. If a country has imports and no exports at all for a long period of time, then it will be reduced to relying on outsiders for the supply of capital and technology, weakening the functions of its national economic structure.

1. The experiences of many countries have shown us that direct overseas investment does not require investors to put in a large quantity of funds by itself, it instead relies on loans and financial assistance from international monetary markets, the host country, third countries and international financial organizations. In 1986, the China International Trust and Investment Company and the China Nonferrous Metals Industrial Company invested a combined \$120 million in an Australian aluminum refinery which has the world's most advanced aluminum refining technology. Their sum was 10 percent of the total investment provided by loans from nine banks in Australia, Britain, Japan and the United States. This example illustrates the way to "go outward" to utilize foreign capital.

2. Investing in developed and developing industrial countries helps break down the discrimination in technology and enables us to be in the midst of international competition; from which we can directly learn and monitor advanced foreign technology and management, and have on-the-spot understanding of the operating mechanisms of market economies.

3. Money is not the only form of capital for direct overseas investment. Machinery equipment, technological patents, trade marks and management, can all be considered as investment capital. Based on this understanding, we can say that direct overseas investment is a kind of commodity transaction evolving from contract-regulated dealings, under which transactions are conducted on the basis of barter trade and bonuses are collected later, if there are profits. Such kinds of profits are bigger than those of barter trade. Furthermore, direct overseas investment can lead to exports of raw materials, spare parts, and semi-finished products, as well as increase job opportunities. In addition, it can help expand foreign trade and increase our supply of hard currency.

B. The Overall Inferior Position and Particular Advantages in International Competition

Compared with developed countries, we are generally placed in an inferior position in our overseas investments. But superiority and inferiority are relative terms. Countries with overall superior conditions have disadvantages too. For instance, the steel and textile industries of the United States lack compatibility because of insufficient technology and poor management. Countries with overall inferior conditions have advantages, such as Hungary, which exports such superior products as medical equipment, medicines and electric lighting equipment to the West. Twenty percent of India's annual production of textile machinery, telephone equipment, and power cables are exported to western countries.

Our country also has its own particular advantages. First, we have traditional labor skills which are singular in international trade. Second, our high-technology items, such as calculator software, astronavigational technology, and telecommunication technology, have

reached world standards. Third, our country has several modernized enterprises with our own technological and management characteristics. Fourth, enterprises can use national funds and credit to make direct investment abroad. Hence, our country has the conditions to make foreign investment. However, points which need to be noted are that our enterprises and economic policy-makers must strengthen their global management ideas and actively push our enterprises to become internationalized and transnationalized.

III. The Organizational Pattern of Internationalized Business Management

At present, some of our country's enterprises, which have internationalized and transnationalized management, still have organizational patterns adopted during the old days. As a result, they can not meet the needs of international commercial activity and transnational management. This is a problem which should be resolved urgently. Companies should adjust their organizational patterns according to the size of international-level management, product specifications, market features, and changes in management strategies. This is very important on the road to internationalization.

Western countries have gone through three different stages and adopted three different patterns of organization in their promotion of transnational operations:

A. During the preliminary stage, the companies only had a small number of branch offices abroad responsible for sales and production. The head office only had an "external sales department," which initially decided what product was to be exported and then found an overseas agent, or set up its own sales office abroad, to market its product.

B. During the second stage, branch companies increased in number and business dealings became more complex, thus there was a need for the parent company to coordinate business activities between its branch companies and increase control of them. Therefore the parent company set up an international department to oversee the operations of sales and investments. This department was charged with the responsibilities of coordinating with branches in formulating their mid-term and long-term sales plans and their targets for expansion. It controlled and monitored the establishment and management of overseas companies, coordinated their business transactions, evaluated their performance and ensured that they used the same accounting system.

C. During the third stage, these enterprises developed a global organizational pattern, under which each branch company established its own global professional management structure in domestic or overseas markets. Most major transnational companies in the west have adopted this global pattern and are seeking to develop an even more complex pattern.

Our country's theoreticians and policy designers, during their search for an effective enterprise format, proposed

two methods of internationalized management. One was an enterprise exclusively for external trade and was based on the functions of Japanese business groups, which manufacture scientific and technological products and take charge of their own management. The other was a transnational production and management enterprise like those in Europe and America, which engage in investment and business activities beyond national boundaries.

The first model benefits a country that has certain recognized production skills and products. It requires no after-sale service, and manufactures products that do not have to meet the specific needs of consumers, such as petroleum, foods, soft drinks and clothing. International sales for products such as these can be worked out by organizing several intermediate-scale enterprises together for coordinated exports.

Enterprises with transnational management combine production with overseas sales and conduct transnational business activities independently. This model suits companies that manufacture hi-tech products, but its organization pattern still is similar to the "external sales department" discussed earlier.

A successful enterprises should be able to adopt an effective organizational pattern so as to manage its own international businesses. That our country is adopting these two models of enterprises indicates that we are in the preliminary stage of transnational management. I hold the view that our country does not have to repeat the process of organizational evolution experienced by western transnational companies. We should begin with the "international department" pattern of organization, empowering it with rights to organize external trade and the functions of an "international department" mentioned earlier. This would allow it to establish overseas enterprises with unified management. Overseas managers can be appointed by this department to develop these enterprises toward a global organizational pattern at the appropriate time.

IV. The Paths to Internationalized Business Management

Internationalized business management has taken many forms because of changes in the international environment. Therefore, choosing the most suitable model is the key to a successful internationalized enterprise.

There are two ways to commence internationalized management:

A. The nonownership method, which allows an enterprise to export products, technology and services without along-term line of production and sales in the host country. Under this method of operation, the enterprise does not own any stocks or shares in the business setup. It operates in a variety of forms, such as with a business permit, with a management contract, with a production contract, as a technical consultant, or as a partner in an industrial joint venture, and so on. The advantages of this method are: 1)

That it helps increase the reputation of the enterprise and creates the opportunity to turn the business permit into stock shares, which would then secure a spot in the international market for China. 2) That it helps encourage exports which will bring in the hard currency needed for direct overseas investment. 3) That the host country will welcome this because it will receive advanced technological and management experiences.

B. The ownership method, which allows an enterprise to obtain overseas stocks and shares through direct investment. It enables the enterprise to seek and protect foreign markets, and obtain rare or inexpensive resource materials. The host country, particularly if it is a developing country, can obtain funds, technology, and management for its economic development programs, as well as increase job opportunities at a later time. Compared with the nonownership method, it has a protracted, self-adjusting nature which makes it an important method to internationalize business management. The ownership method can be carried out in the following ways: 1) Set up sales units abroad. This is the simplest way of investment for an enterprise with ownership rights. It can help protect and expand the overseas market and collect market information, resulting in further expansion of sales and investment. 2) The enterprise invests on a small sale to set up a simple processing factory. This enables the enterprise to avoid heavy taxation levied by the local government, become close to the local market, increase consumer service standards, and offer employment for the local people. 3) Buying out local companies. This can reduce the expenses of opening up a business and avoid local restrictions on the production of certain products. Apart from these, there are joint ventures, single-partner ventures, and so on.

When seeking to become transnationalized, an enterprise first should evaluate all relevant elements, such as the amount of its funds; the extent of its technology; its management knowledge; the host country's regulations on taxation and foreign investment percentage; the local partner's ability; the cost for engaging in international market activities; and local industrial characteristics.

An internationalized business management has to through three developmental stages to become fully fledged. Therefore, actions should be taken earlier, rather than later. There are over 4,000 enterprises in our country, 2,000 of them have been authorized to have direct exports. This means that the climate for internationalized, transnationalized management is good. What needs to be done now is to reform the control policy over foreign trade so we have broader, more suitable regulations for internationalized, transnationalized management.

V. Strengthen the Country's Operative Functions in External Trade

Transnationalized management has an international nature, and the ownership of an enterprise involves the issue of nationality. Internationalized management concerns not only the interest of the enterprise, but the

country's international incomes, employment, and tax revenues. Therefore, it is imperative to strengthen the nation's operative functions in external trade. The following steps should be considered:

A. Set up an organization with the Central Bank and the External Trade Department as its main body, to oversee internationalized business management, supervising international economic activities and the capital flow of an enterprise. It is an important guarantee for the enterprise as well as the national interest. The main functions of this organization are: formulating relevant guidelines, policies and regulations; working out overseas production plans and including them in the overall programs for the national economy and social development; defining the limit on capital spending, approving items for investment and monitoring how they are operated; providing enterprises with general information about foreign countries' rules and regulations on investment, their products, technology, capital, services, and property costs. Also providing data on the host country's political and economic situation and market potentials; advising concerned local organizations on how to coordinate the plans for internationalized business management and including their role in the national unification programs; summarizing and evaluating business experiences for the purpose of developing further plans.

At present, we have already set up an international business network in the structure of "inland-coastal areas-Hong Kong and Taiwan-oceanic countries." We would gain broader international management experiences by authorizing coastal areas and special territories to invest abroad. We should begin on a small scale, allowing one to two enterprises in a medium-sized city, two to three enterprises in a large city, and several thousands on the national level, to conduct such kinds of investment.

B. Encourage enterprises to engage in internationalized management. Success in international market competition are often not decided upon by the ability of an enterprise, rather by the help and support from the government. Therefore, it is a form of competition testing the strength of every government. The internationalization of our country's business management naturally needs the help and support of our government. This should include:

1. Creating excellent conditions for the enterprises to enter the sphere of internationalized management through diplomatic and economic means. According to international practices, we can ask the recipient country of our loans and grants to use the money to buy our products or engage our help in building or repairing railways, mining, roads, harbors, power stations and airports, and training skilled workers. This will create a "solid" environment for our enterprises to invest in the recipient country. When we supply a country with low-interest or no-interest loans, we should combine assistance with credit so that our enterprises could have the opportunity to invest abroad. Diplomatic activities or bilateral agreements would enable our enterprises to face a "softened" environment, under which

they would receive preferential treatment or be treated like the citizens of the partner country. This kind of environment would also protect our property in case of wars and civil strife in the concerned country.

2. Provide financial and credit support. Supply a hi-tech industry with special technical assistance and loans to pave the way for its international management. Also provide it with export subsidies, favorable taxing conditions, export credit guarantees, and insurances and guarantees for its direct overseas investment.

3. Encourage the merging of enterprises and support the alliance of big enterprises. This would strengthen our ability to compete on the international market.

Achieving internationalized business management is a tremendous task. We should waste no time in actively taking hold of the situation and adopting practical, appropriate measures, so that we can build up a solid structure to develop internationalized management for our country's enterprises.

ECONOMIC ZONES

Difficulties of Special Economic Zones Analyzed

40060004A Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 89 pp 33-39

[Article by Zhu Tiezhen (2612 6993 5271) of Chinese Academy of Social Science's Economic Research Institute, and Zhou Tianyong (6719 1131 0516), doctoral candidate in statistics, Northeast Finance and Economics University: "An Analysis of the Difficulties of Two-Way Operations in the Special Economic Zones"]

[Text] Under the guidance of the general policy of reform and opening up to the outside world, our country's special economic zones have seen considerable development and played an active role in promoting the development of the national economy. Since ours is a country with a huge population, large territory, and relatively large and extensive markets, it is not possible to select an economic development strategy that is solely export-oriented. However, import substitution requires the support of foreign exchange-earning exports while raising the grade of exports requires the backing of import substitution. Hence, import substitution and export-led orientation requires a division of labor among the various localities, the interior should carry out an industrial policy of import substitution while the special zones should carry out an export-led economic development strategy. In other words, it is necessary to designate areas to carry out the special system and policies of export-oriented economic development.

Firmly and irrevocably promoting the special zones to carry out economic reform and the opening up to the outside world and further enlivening these zones not only can promote the interior's economic development but also can have a major impact on the stability and

prosperity of the economies of Hong Kong and Macao, on the absorption of investments from Hong Kong, Macao and Taiwan, on the implementation of the "one country two systems," policy, and on Taiwan's return to the fold of the motherland.

Since the establishment in 1979 of the first economic zone in Shekou in Shenzhen, the economies of special zones have achieved very pleasing results in such aspects as promoting the reform of the country's entire economy and opening up to the outside world, attracting foreign investments and technologies, utilizing labor resources along the coast, earning foreign exchange from exports, upgrading the quality of the exports, and so forth. Unfortunately, in recent years, special zone economies have met with a series of perplexing problems such as acute shortages of raw materials and funds, a large-scale rise in commodity prices, the industrial structure not being of a sufficiently high grade, blockades by inland markets, and so forth. Structurally speaking, these problems arose from such factors as the special zones economy being subject to the restrictions of the target pattern of the country's overall planned commodity economy, being subject to overall economic policy, adjustments and periodic interference from the central authorities and the fact that the special zone's original and imperfect traditional management system has been more or less retained. With the new economic pattern of the special zone put into operation under such conditions, a stalemate developed between the transformation of the new and old structures and between the country's dissimilar internal and external economic operating mechanisms. This consequently caused the special zone's economy to become complex and incur many problems. To enable the special zone's economy to overcome the existing conditions, escape the stalemate that has developed during the transformation between the two structures, and cast off excessive restrictions imposed by the overall economic structural framework, it is necessary, from a theoretical standpoint, to perform a thorough analysis of the two-way economic operations between the special zones and the interior and between the special zones and foreign countries. New channels will have to be developed to accelerate the special zone's economic reform; and new macroeconomic strategies and policies will have to be formed concerning the special zones' reform and opening to the outside world.

Dilemma of the Two-Way Economic Operation

Regarding the pattern of the economy of the special zones, in recent years it has gradually shown the following: coexistence of economic components of different ownership systems and existence of a pluralism of economic structures that compete with each other on equal terms; regulation by market mechanism as the guiding force; development of the economy's external orientation; and in economic management a policy of "little government interference, a large role for society and standard of high working efficiency." More recently, Hainan Island has advocated the new road of "wholesale contracting, systematic developing, and comprehensive

compensation by foreign merchants."¹ All this is a kind of all-inclusive theoretical plan on the pattern of a special zone economy. Regarding the formation and operation of this sort of pattern, the points that must be first considered are economic operations between the special zones and the inland and the special zones and foreign countries. This is because in its capacity as a special zone, aside from its own economic self-cycling, it is a zone in which there is the merging, transformation and an interflow of domestic and external economies and if it does not possess a special zone economic mechanism that can meet the demands of this sort of intermediate merging and transformation and at the same time repel the clashes caused by the disparities in such aspects as the structure and form of domestic and foreign economic operations, then this kind of framework cannot be formed, and even if it is reluctantly formed, it cannot be put into actual use. It thus goes without saying that lacking an operational pattern suited to the economic operations of a special zone, we can hardly talk about the super and extraordinary development of the special zone's economy.

First, let us look at the difficulties the special zone faces in its economic operations with the interior.

I

1. Price disparity and its influence. Relatively speaking, an SEZ's investment rate is higher than that in the inland and a large demand for investment had a major influence on commodity prices. In addition, an SEZ bears the task of earning foreign exchange from exports while export products usually require a high consumption of labor. When imports are not principally for the purpose of import substitution, they also affect the prices of consumer goods. In the interior, a rather large portion of the industries and producers of consumer goods are subject to the systems of planned transfer and allocation, fixed supply and enforcement of prices within the plan; in a special zone, the industries and producers of consumer goods are subject to regulation by the market mechanism and are exchanged at negotiated prices. By the time material resources from the interior that are within the plan finally arrive at the special economic zone after much commotion, their prices will have risen greatly. According to the principles of price studies, when controlled prices and black market prices (or negotiated prices) coexist, price deregulation will produce the effect of a fall in black market prices. Due to the rather high relative proportion of raw materials procured at negotiated prices in the special zone, this implies that the interior, through the workings of the double-track price system, irrationally takes away from the special zone a portion of its benefits. Furthermore, the high proportion of negotiated prices leads to the special zone's production costs and product prices being generally higher than the national level. Wages and salaries in the special zone are also higher as are the prices of consumer goods. Hence, the rise of some commodity prices in the special zone is reasonable and necessary while the rise of others is unreasonable. In short, one of the factors causing the

rather large fluctuations in the country's commodity prices is that commodity prices in the special zones are higher than in other regions of the country. This is because between the markets in the special zones and those in the interior, there are no adequate regulatory measures, and the special zone's high prices follow the flow of goods and information into the neighboring parts of the interior and the large cities with which they are connected. This inevitably causes prices in the interior to rise in competition with those found in the special zones.

2. Income and consumption effects. Residents in the special zones enjoy a higher level of income and consumption compared with their counterparts in the interior. This sets an example for the residents in the interior. At the same time a portion of the staff members and workers stay on their own in the special zones, leaving their family members in the interior or commuting to work between the special zones and the nonspecial zones; or, taking into consideration the differences in the price levels between the special zones and outside areas, they transfer by various means a portion of their incomes for spending outside the special zones, thus augmenting the general purchasing power outside the special zones. By so doing, they cause an obvious tension in the markets in neighboring areas of the special zones. Meanwhile, residents in the nonspecial zones are tempted to scramble for higher income and a higher level of consumption to compete with the residents in the special zones.

3. Due to development and construction in the city areas and the expansion of investment in the processing industries as well as in the scale of industry and trade, the supply of and demand for capital funds in the special areas is tighter than in the interior, and the gap between supply and demand is much larger. But since the prices of funds are unified throughout the country and do not reflect the partial situation of the supply and demand relationship of funds in the special zones, this brings a series of problems to the special zones such as the emergence of black markets for funds, inflated consumption funds, utilization of funds without reference to potential benefits and improper practices in credits and loans.

II

Friction between the special requirements of special zones economies and the principle of macroeconomic control being "applicable to all."

Since the general economic policy governing the special zone economies is engendered by the state of the national economy, it is equally capable of strong regulation; it also arises from the unwillingness of various central departments when enforcing the concrete policies of their departments, to delegate to certain departments the needed power or authority due to reasons connected with benefits, from the central authorities insisting on the "universal application" of their demands and policies, and from the special zones making special demands to the management organizations in respect to the various policies. As a result,

in actual operations the special zones are no longer "special" and encounter the following:

1. Rectification of the national economy as principally manifested in the controlling of the scale of investment and the tightening of bank credit has created shortages of funds for special zones' activities such as production, trade, urban development, real estate investment, capital construction, and industrial construction.

2. The state plan is still playing a less than optimum regulatory role over the economies of the special zones. For example, Hainan Island's rubber, iron ores, salt, and sugar products fall under the state's mandatory plan. Seventy percent of this output is destined for the interior at prices unchanged over several decades. Over 80 percent of the raw material supplies needed by Hainan's own rubber processing plants cannot be met by local supplies at party prices and have to be imported at high prices from Thailand and Malaysia. Some of the plants in the special zones operated by central government departments are still subject to the restrictions and controls of the state plan and authoritative departments in areas such as determination of production tasks, marketing, pricing decisions and so forth. At the same time, there has been a large-scale reduction in shipments of material resources under the state plan from the inland to the special zones while their prices have increased steeply. The desire to unify the nation's various reform measures means that price reform in the special zones will not progress and markets cannot be improved in the near term.

3. In management, the various departments of the central government demand that upper and lower level organs have corresponding structures. This makes it difficult for the special zones to realize their economic management goal of having "little government interference, a large role for society, and high rate of efficiency." As a result, organizations that have not been set up will have to be restored in a corresponding fashion and this will cause certain organizations not only to not be streamlined but also to become unwieldy and cumbersome. The unstable policies towards the special zones has also caused many enterprises from the interior to come to the special zones not for the purpose of setting up industries but for the sake of mere trading. According to analysis, in 1988 the amount of funds which flowed into the special zones from inland cities to be invested in real estate, machinery and equipment did not exceed 2 percent. Most company enterprises adopted a "wait-and-see" attitude once governmental policies change, they are ready to withdraw their funds at the drop of a hat. Moreover, the irrational price system and the investors' tendency towards short-term behavior have caused funds to flow mainly in the direction of the services sector, and tourism, and very rarely into the high-tech and basic industries. This has caused the industrial structure to slant irrationally to one side.

Next, seen from the relations of external economic activities, the dilemma of the special zone economies may be outlined as follows:

1. The largely unified foreign trade structure and policies have caused enterprises that produce goods for export, wish to produce goods for export and also many of those that can export their own products to have no authority to import or export. Many enterprises engaging in the processing of products for export cannot obtain the export quotas they need. The majority of enterprises in the export trade cannot directly engage in competition in the international markets, and can only conduct their import/export business through foreign trade companies at various levels of the foreign trade departments. This makes it difficult for the enterprises to understand or know the specifications, colors, and varieties of products needed in the international market, or to make prompt adjustments of their products as the occasion demands; also they are unable to promptly have any information about the price situation abroad, and even though they do have the information about foreign markets, at times they have no power to further change the production plans set forth by the foreign trade departments. Although in recent years a foreign trade structure featuring the combination of trade and industry has been set up, in reality, the foreign trade units care only for their own interests when contracting and hide any information about the prices in their contracting negotiations from the enterprises. They buy only when there are large profits to be made, and refuse to buy when the profits are meager. In general, they monopolize the import and export quotas. Because the foreign trade departments depress the purchase prices of certain products, enterprises have found that they can get better profits if they sell their products in the domestic markets instead, since otherwise they may incur losses. Hence, certain products which originally could have been exported to earn foreign exchange have been thrust into the domestic market on account of the price disparity between the foreign trade and industrial sectors. Since early this year, regarding the improvement and rectification of the foreign trade sector, while the withdrawal and retraction of certain power and policies may have certain advantages, improvement and rectification of a "universally applicable nature" has aggravated the situation of the foreign trade departments having a monopoly over the authority to import and export and over quotas. This has generally benefitted companies that have "connections" with the foreign trade departments. This in turn has extended the circuitous routes that have to be gone through by export-producing enterprises, increased the difficulties facing them, reduced the profits of foreign exchange-earning enterprises, and increased the intermediary costs of converting foreign currency. This was a major factor that contributed to our export trade slump in the first quarter of this year. As a result of this, the development of the special zones' export-oriented industries has been seriously restricted. It may even have led to the growth of such improper practices as exchanging authority for money, using money and "connections" to buy quotas, and the trading of licenses. Obviously, this type of foreign trade policy of a highly

traditional management pattern and hue and its infiltration into the special zones structure will inevitably impede the evolution and growth of the export-oriented economy in the special zones.

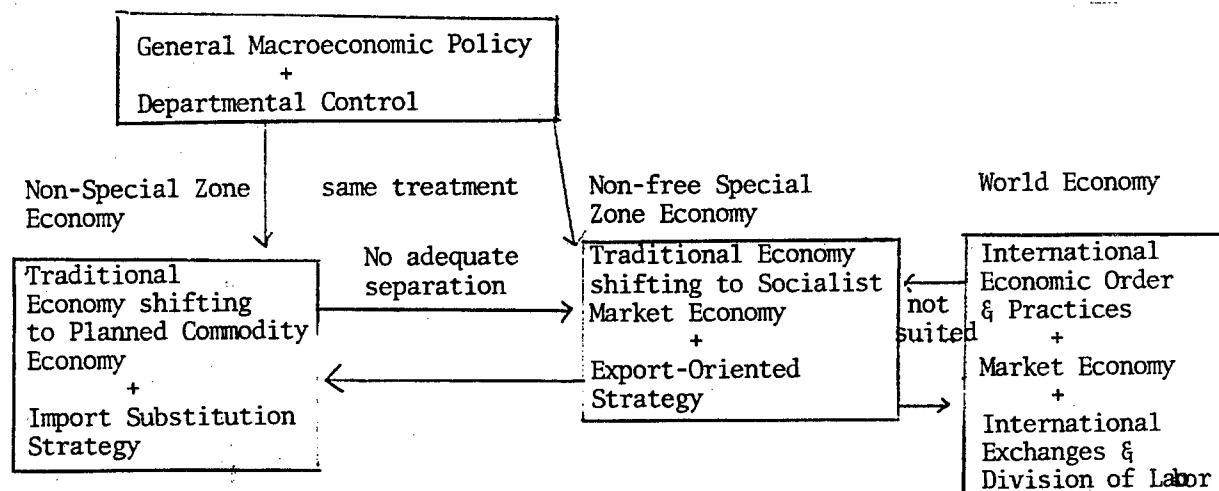
2. The economic management structure organized by the special zones in accordance with the requirement that the upper and lower level organizations have corresponding structures has too many levels and is very inefficient. Although, for the sake of attracting and absorbing foreign investment, certain special structures have been organized and certain special business procedures have been formulated, they still cannot meet the requirements set forth by international conventions regarding trade and foreign investment. The products of certain Sino-foreign enterprises engaged in export-processing are also subject to export quota and other restrictions. When undertaking such business transactions or businesses such as the introduction of foreign capital and the development of export-oriented trade, special zones must have not only a market system for goods that are externally oriented but also a corresponding foreign exchange market system, otherwise serious problems will be encountered in the exchange transactions of different currencies. Some special zones have set up foreign exchange "swap" centers that convert RMB according to market prices for internal transactions, while abiding by the official exchange rate. This has seriously affected the enthusiasm of foreign investors.

3. The policy's fluctuating character spreads to the special zones. The fact that the legal statutes of the special zones themselves have not been perfected leaves foreign merchants feeling a sense of insecurity about their investments and trade. Foreign businessmen are thus inclined to seek quick profits in their investments and to display a psychology of departing as soon as they have scooped some profits. If the investment structure does not shift from having the service sector and tourism receiving the lion's share and the high-tech industries and basic industrial structure receiving a minor share, then it will be impossible to realize the original objective of having the special zones introduce, absorb and spread technology. Furthermore, the industrial structure will lose its balance and become unstable.

The Underlying Causes of the Dilemma

The following diagram is our analysis of the relationships between special zone economies, nonspecial zone economies, macroeconomic control and the world economy:

Special zone economies are currently changing track from the traditional economic structure to the socialist market economy structure while the hinterland's non-special zone economy is currently shifting track from the traditional economic structure to the planned commodity economy. The difficulties of the special zones internally oriented economic activities are in essence the contradiction between the transition towards a socialist



market economy operational structure currently in the special zones and the transition towards a planned commodity economy and macroeconomic management structure.

Because of factors such as investment in construction, foreign exchange-earning exports, and rapid economic development, the special economic zones' economies naturally possess the special features of high salaries and wages, high commodity prices and relatively high rates of consumption. Under the conditions of a lack of effective buffering measures, these features naturally will be passed on to economic activities in the non-special zones and cause a certain amount of fluctuation.

The industrial development strategy centered on import substitution generally in force in the interior and the export-oriented development strategy in effect in the special economic zones differ. The latter demands a looser policy and structure for imports and exports, foreign exchange, currency and customs duties. In fact, in recent years in both the planning and execution of policies and structure we have ignored these differences. When the policies and structures are lax and beneficial to exports, then certain confusion will occur in certain aspects such as imports and exports, use of foreign exchange, management and so forth but once the policy and structure are tightened, then all comes to a dead end and the restrictions on the development of the export-oriented economy become extremely serious. Both of these phenomena must be avoided.

In the special zones, the proportion of consumer goods and capital goods having negotiated prices relatively high and the capacity for sustaining price reform is greater than in the non-special zones; wage reform has already made major strides. The special zone economy is still in urgent need of further price and wage reforms so as to solve such problems as unequal exchange prices with the nonspecial zones, the inability of the market structure to speedily perfect, develop and regulate production and circulation in the special zones, and the fact

that markets with "twisted" prices are not suited to the operations of the international economy. The main line of economic reform in the special zones lies in speedily perfecting the market mechanism and augmenting the market order by means of price and wage reforms. Reform that centers on intensifying the internal mechanism of the enterprise is of little significance so far as the special zones are concerned. This is because enterprises in the special zones, regardless of whether they are wholly-foreign-invested enterprises, joint ventures or contractual joint ventures or whether they are collective enterprises or enterprises owned by the whole people have major differences from collectives and enterprises owned by the whole people in the nonspecial zones regarding the determination of production prices, labor supply, and the existing [business] climate. The proportion of the special zones' originally existing collectives and people-owned enterprises, in terms of volume and output, is relatively low and subject to strong market pressure. These enterprises have been forced to carry out reform of their own accord. However, in the interior, due to the effects of inflation and the considerable commodity price fluctuations, price reform and wage reform cannot progress in big steps.

It can thus be seen that between the special zones and the nonspecial zones, conflicts have arisen due to the incorrect timing of reform steps and the differences in their focus of reform. However, the overall reform program still retains a certain extent of "planned" control over the special zone economy. For example, in respect to certain capital goods, financial interest rates, grain and edible oils, the state still enforces planned allocation, price limitations and unified controls. This introduction and infiltration of the management structure of a planned commodity economy into the special zones has greatly aggravated the complex and difficult character of the operations of the special zone economies. For example, the shortage of capital funds in the special zones is extremely acute, yet the largely unified national

interest rate renders it difficult for special zones' financial mechanisms to extensively raise funds, collect consumption funds and generally stabilize the prices of consumer goods and the markets. Undoubtedly, the operating format of such an economic structure is not in line with the rules of international economic operations and is also not suited to the order and customary practices of international transactions and the division of labor. In essence, this shows up the contradiction, in terms of operational mechanism and management style between certain old systems unsuited to the development of the special economic zones' productive forces that fall under the socialist traditional framework, and the new system that promotes the development of the productive forces in the special zones according to guidance from the socialist market economy.

In sum, whether or not the special zone economies can be further invigorated and speedily developed, or whether it hobbles along and encounters numerous difficulties, the key will lie in whether or not we can cut the umbilical cord between the special zone economies' operational mechanism and the general economic structure; reduce excessive infiltration and interference by the general economic structure; form a special zone socialist market economy that possesses an externally-oriented framework in keeping with the operational regulations, order, and customary practices of the international economy. In a word, it is whether or not we can remove the friction generated by the existence of the special zone economies' two-way operations and resolve the problems of being subject to coexisting frameworks.

Thoughts on Escaping the Difficulties of Two-Way Operations in the Special Zones' Economies

In order for the special economic zones to basically escape the difficulties of two-way operations in the economy, a new road must be found. In our opinion, be it in general policy or in management and control by the various departments, macroeconomic control must give the special zones truly special treatment. At the same time, appropriate divisions should be made between the special and the nonspecial economic zones; and the special zones themselves must have economic freedom,

and autonomy. Through making the special zone economy's operational structure, mechanism, policy and management all compatible with the order and customary practices of the international division of labor and exchange (general outline shown in diagram below), we must build up the kind of socialist market economy model for special economic zones which meets the standards of international economic operations and is suited to the export-oriented strategy.

Macroeconomic Control

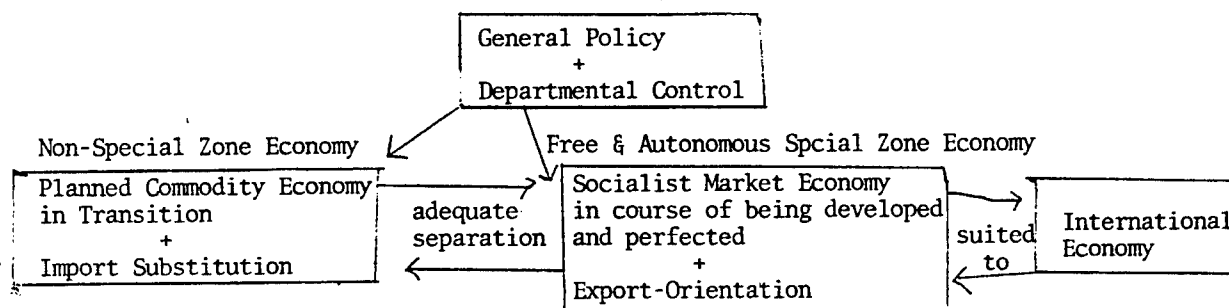
The specific thinking concerning this model is as follows:

1. The Central Government will truly regard the special zone as a special economic and administrative region, carrying out special policies. In particular, during the special period when retrenchment is being carried out nationwide, consideration should be given to the special demands of the special zones' export-led economy and the scope and degree of departmental control over these zones should be reduced and weakened, so as to allow them autonomy at various levels.

The special zones should be accorded relatively lax special policies that will allow price and wage reforms to proceed in advance, and that will also allow the operation of the market mechanism to form a rational price system as soon as possible. By so doing, we can bring about within the special zones a connection between the planned commodity economy and the international market economy and enable foreign exchange earnings exports to be unfettered by the tightening of the general foreign trade policy.

The economic autonomy of special zones refers to the basic laws of the economic zone that permits the special zones, suiting measures to local conditions, to carry out a relatively all-round and systematic autonomy, and self-determined management system under the premise of unified national government and military orders. The contents and intention imply that they have the policy-making power in such matters as production decisions, investment projects, determination of size and location of factories and enterprises, geographical distribution of productive forces, tax rates, scope of taxation, import and export trade, currency and finance, commodity

MACROECONOMIC CONTROL



prices, foreign exchange control, adjustment of salaries and wages, and so forth. Such an economic management system can enable the special zones to truly realize the ideals of "small government, large society, and high efficiency rate," and make genuine transformation of the function of the small government in managing the economy. At the same time, it can reduce the work of the central government in managing the economy and enable it to spend more time studying the more important issues and major administrative guidelines. The special zones will also be able to reduce their dependence on the state economy while the central government will thus be able to divert large amounts of funds to aid the impoverished and less developed regions. Furthermore, economic autonomy can provide the special zones with adequate and relatively extensive power over economic legislation so that they can, based on the normal operating relationships between the special zone economy and international economy, plan, formulate, promulgate and earnestly put into operation legal statutes which concern such spheres as investment, trade, enterprises, foreign exchange control, currency and finance and labor which conform with the international economic order, regulations, and customary practices. Thus the preferential policies aimed at attracting foreign capital and stimulating the export-oriented economy can be legalized, giving foreign merchants a sense of security over their investments and purchases, making it possible to convert investments into long-term projects, and rationalizing the investment structure. In addition, enforcing economic autonomy in the special zones will naturally introduce a relatively healthy competitive mechanism, enhance the understanding of the economic departments and enterprises as to how to compete on just and equal terms, and thereby promote the development of the commodity economy.

Theoretically speaking, carrying out economic autonomy in the special zones is determined by the existence of imbalanced laws governing the development of the commodity economy and the complex and multi-level character of the national economic system which calls for the enforcement of appropriate and effective control at various levels. With the purpose of promoting the development of the special zone economy in a highly efficient manner, the three levels of the state, the locality and enterprises are scientifically earmarked and balanced regarding authority and responsibilities for economic management. It does not demand that "all power belongs to the locality," nor does it call for regional demarcation. Special zone economies not only need to escape the bondage imposed on it by the large and unified economic structure of the main body but also should not create its own large and unified economic management structure. The intention of having autonomy at different levels is that within the special zone the various levels of economic management extend to the enterprise level and that within the scope of their activities, they all should have their own autonomy and decision-making power in management and engage in economic activities. Only through autonomy at various

levels will it be possible, when implementing special zone autonomy, to restrict and prevent the copying and formation within the special zones of a large, centralized economic management structure.

2. Economic autonomy and the extent of economic freedom are mutually related. Economic autonomy determines the extent of economic freedom whereas the extent of economic freedom affects the development of the special zones' export-oriented market economy. If the special zone wishes to develop more quickly and truly display its role, we must enforce an economic policy which is especially relatively free so that the special zone may become our country's socialist free economic zone.

Up until the present, of the special economic zones established by many countries and regions in the world for the purposes of export processing, earning foreign exchange, introducing and importing technology, and attracting foreign capital, the vast majority are special free zones for trade. In a special zone, without a policy, system, legislation and many-sided agreement on free trade, the importing of raw materials for export processing and the export of manufactured products will be subject to the limitations of import and export permits, power limitations and the allocation of quotas. The development of an externally-oriented economy will become just an empty word. The distinguishing features of free trade are: all the special zone's import business is governed by open permit regulations; goods banned from being imported into non-special zones, with certain exceptions, may be imported into the special zones for export-processing purposes; and goods produced in the trading zones may not be subject to the limitations of export control.

Financial freedom is an important link in the normal operation and smooth development of a special zone's economy. This is because for export processing in free trade, raising funds, and absorbing foreign capital there must exist free circulation, settlement and exchange of money and funds; otherwise free trade, fund raising, and absorption of foreign capital will not have the guarantees of circulation, accumulation and investment. The concept of financial freedom embraces freedom in the entering in and exiting of funds; freely floating interest rates; freely floating exchange rates; the existence of free markets for foreign exchange, debentures, stocks and bonds, silver and gold bullion, and dealings in commodity futures; lax and broad insurance market and lease and rental trade; competitive financial organizations; a lax financial policy and banks engaged in pluralistic operations.

First, freedom in the inflow and outflow of funds and the two-way deregulation of the foreign exchange market helps in absorbing investments from foreign businessmen. It makes possible the easy settlement and exchange of different currencies introduced via economic activities such as commodity transactions, investments, leasing and rental and so forth, and removes the

barriers of the inconvertibility of currencies and irrational exchange rates. Second, a special zone economy has the functions of cutting down consumption, stabilizing commodity prices, stabilizing markets and accumulating funds. In the initial period of the ascent of their economies, countries and regions like Japan, Singapore, Taiwan and Hong Kong also met with such problems as commodity price fluctuations and the over-issuance of currency. By means of measures such as raising the interest rate so as to make the "price" of money duly reflect the supply and demand for funds, encouraging individuals to convert their income into financial assets (shares, bonds, debentures), encouraging individuals to invest their income, reducing people's rate of consumption and enhancing the trend to practice thrift and savings, they not only succeeded in checking the over-issuance of banknotes and money and the rise in commodity prices, but also managed to provide sources of funds for the economy's takeoff. High accumulations and a high growth rate did not result in serious inflation. At the moment, compared with the nonspecial zones, our special zones are in a state of high income, high consumption, high commodity prices and an acute shortage of funds—a common situation preceding an economic takeoff. Hence, from a macroeconomic point of view, control of the money supply is necessary but from a microeconomic point of view, deregulation of the interest rate in the special zones, and improving and deregulating the money market will help rectify the financial situation which tends to hinder the development of the economy. At the same time, it will help lower the special zones' high rate of consumption and high commodity prices, ease the spread of high commodity prices and high consumption from the special zones to the nonspecial zones and prevent interference from the special zones in the improvement and rectification work of the nonspecial zones. Furthermore, following the expansion of financial freedom in the special zones, there is the possibility of some cities and towns such as Dalian, Qingdao, Xiamen and Haikou becoming, when the time is ripe, secondary or tertiary financial centers of international stature, and thereby assuming the status of centers for the settlement of accounts and the merging and raising of funds used in international economic transactions.

3. Between the special zones and the nonspecial zones there should be an appropriate division in respect to such sectors as maritime customs services, commercial inspection, monetary control, the screening and examination of financial documents, in order to remove interference and undue influence from economic management and operations between the special zones and the nonspecial zones. Obviously, from a macroeconomic point of view, not enforcing an extraordinary special zone policy and not making the special zone economy autonomous and free means that even a superior pattern of a socialist externally-oriented economy cannot operate well. Yet if there is no adequate division between the autonomous free economy of the special zones and the economy of the nonspecial zones, it is likely that

great confusion will be introduced into the economy of the nonspecial zones, while the economic operations in the special zones will also be confused.

Concretely, these problems are: 1) If the interior does not take appropriate measures to separate and control commodities imported and exported by the special zones, then, due to the regulatory role of benefits, special zones may take advantage of their preferential policies and treatment by buying commodities from abroad and reselling them in the inland markets. This will affect the structure governing the use of foreign exchange and produce adverse effects on the system whereby domestic industries produce import substitutes. 2) If there is inadequate separation between the special zones and the nonspecial zones in the circulation of foreign exchange, there will be price differentials between the foreign exchange market price in the special zone and the foreign exchange rate in the nonspecial zone, large-scale speculation will be made on foreign exchange market prices in the special zone, and will result in black market foreign exchange prices in the nonspecial zones and speculative buying and selling of foreign exchange. 3) Because the special zone enjoys the benefits of the preferential taxation and foreign exchange retention policies, the tax differential in profits and the retention differential in foreign exchange earnings will lead certain interior enterprises to set up subsidiaries in the special zones, as a means for converting inland transactions into special zone transactions where they can make the settlements and fraudulently purchase foreign exchange.

Naturally, we must also look at the other side of this problem. During the initial developmental period, certain enterprises in the special zones did accumulate capital via trading and thereby invested in industries; the special zones also need to employ this method to accumulate capital; and entrepot trade does play a role in stimulating the growth of export trade. Nevertheless, if large-scale tax evasion and fraudulent purchases of foreign exchange take place and result in the enterprises in special zones mainly depending on tax evasion and fraudulent purchase of foreign exchange for survival while industrial development flounders, then the original significance of setting up special zones will be lost and will also cause huge losses to the state. 4) Because the interest rate in the special zones is deregulated and can rise and fall freely, and stock and share dividends and bond and debenture interest rates follow the rise and fall in interest rates to fluctuate, a disparity will arise between the price of capital funds in the special zones and the interior, and as a result, speculative activities will arise in money, stocks and shares, bonds and debentures between the two areas. 5) Even if an appropriate separation is carried out between the special zones and the nonspecial zones, although the special zones may employ such protective measures as raising the interest rate and turning savings and funds into assets, if the principal amount of currency in circulation is too great, then when it reaches the special zones inflation will also occur. Hence, an autonomous and free special zone

economy must maintain an adequate separation from the nonspecial zones. This will both step up the development of the special zone economy and stabilize economic relations between the special zones and the non-special zones.

The principal ways of achieving separation are: 1) Treating the special zones as second customs excise and commercial inspection zones. Special zone products may be shipped to the inland markets for marketing on the basis of the inland import permits. By so doing, we can first avoid and prevent the special zones from shipping imported goods and re-equipped products for sale at a profit in the inland markets, and then force the special zones to become truly export-oriented seeking a place in the international market. 2) Unified issuance by the central government of freely-convertible special zone currency. The RMB will play the role of subsidiary circulation and gradually be retired from circulation. The central government will regulate the supply of the special zone currencies issued on the basis of the comparative price relationship between the various special zone currencies and foreign currencies, taking the market exchange price as the criterion for regulation. 3) In the interflow of goods and materials between the special zones and the non-special zones, settlement payments should gradually be made in special zone currencies and foreign exchange but, special zone currencies though considered as pseudo-foreign exchange, may circulate freely in the interior. Interflow of commodities between the special zones and the nonspecial zones should be gradually carried out according to import and export regulations. 4) After the closure of the second line, consumer goods, raw materials required for export processing and energy supplies, and export investments that flow from the interior into the special zones will still require more lax secondary customs services and commercial inspection policies. 5) The inland's financial documents and notes relating to the special zones should be subject to inspection by the taxation and auditing departments, and if it is found that the internal trade and export engaged in in the nonspecial zones and various ports had their taxes paid and foreign exchange obtained in the special zones, then tax-repayment and refund of foreign exchange should be made in the interior non-special zones concerned. By so doing, the thriving development of industries which have their main business in export processing and dealing in buildings and real estate in the special zones will be aided, and this will prevent many corporations divesting their principal energies into rebuying and reselling for profit.

Footnote

1. "Zhang Siping" (1728 1835 1627), "Views on Certain Problems in the Construction of Hainan SEZ," HAINAN RIBAO, 16 February 1989.

TRANSPORTATION

Highway Freight Transport Losses Cited

OW0412111889 Beijing XINHUA in English
1036 GMT 4 Dec 89

[Text] Beijing, December 4 (XINHUA)—The direct economic losses accumulated by long-distance highway freight transport amount to 5.9 billion yuan each year, CHINA YOUTH NEWS reported today.

Statistics from the Shanghai Land Transportation Administration show that vehicles coming in and out of Shanghai totalled 5.38 million in 1988, 4.04 million more than in 1982. However, the loading capacity in 1988 was only 58.9 percent, 18 percent lower than in 1982.

The main reason for the problem is that vehicles that transport goods to other parts of China usually make one part of the trip empty, the paper said.

Construction Proceeds Despite Austerity Policy

HK2911003289 Beijing CHINA DAILY in English
29 Nov 89 p 1

[By staff reporter Gao Jin'an]

[Text] Construction is going ahead with its construction of expressways despite the nationwide austerity programme.

The country has 350 kilometres of expressways, according to the Ministry of Communications.

Those completed include the Shanghai-Jiading, Guangzhou-Foshan and part of the Shenyang-Dalian lines.

Six more expressways are in construction. They are Guangzhou-Shenzhen-Zhuhai, Xi'an-Lintong in Shaanxi, Beijing-Tianjin-Tanggu, Xinzhuang-Songjiang in Zhejiang and one in Hainan Province.

Expressways can allow speeds of up to 100 kilometres (62 miles) per hour.

But currently, nearly all highways are shared by tractors, bicycles, pedestrians, horse carts, trucks and cars, resulting in much slower speeds.

In addition, seven slower highways with cross traffic are at bidding or construction stages, the ministry said.

The ministry is putting highway construction high on its work list.

It plans to construct 20,000 to 25,000 kilometres of top grade highways in the coming decades, according to ministry information.

In addition to State investment, foreign loans may be used for highways.

Right now, \$538.6 million in loans from the World Bank are being used for highway projects throughout the country.

Statistics from the ministry show that highway construction is progressing well.

But the shortage of funds and materials has affected some projects.

The Beijing-Tianjin-Tanggu expressway will not be finished as scheduled next year because of these problems.

China has one million kilometres of highways, linking all cities and county towns except one in Tibet. But most of these highways are old and in poor condition.

As the number of vehicles increases, 4.64 million as of the end of last year, more good modern roads are needed. Highway building has become an urgent matter.

Meeting Held on Road Construction, Water Transport

OW0612052789 Beijing XINHUA Domestic Service in Chinese 1351 GMT 1 Dec 89

[By correspondent Huang Yong (7806 8673)]

[Text] Nanchang, 1 December (XINHUA)—The initial work meeting on highway construction and water transportation in the country, which just ended in Nanchang, stressed that highway construction and water transportation projects in the early stage of the Eighth 5-year Plan, will focus on following a policy which places emphasis on creating a comprehensive transportation system.

The meeting, sponsored by the Ministry of Communications, said that, in order to overcome selfish departmentalism, shortsightedness, and blind spending on overlapping projects, those capital construction projects which are not included in state and provincial transportation plans, have not completed initial construction work, and do not follow capital construction procedures will not be included in the annual construction plan and therefore not be entitled to investment subsidies. All provinces, cities, and units must give priority support in the form of manpower, materials, and funds to those projects designated as key construction projects by the Ministry of Communications, guaranteeing their quality and quantity and ensuring completion in time.

CAAC Approves Northwest Civil Aviation Authority

OW0712060989 Beijing XINHUA in English 1327 GMT 6 Dec 89

[Text] Xian, December 6 (XINHUA)—The Northwest China Civil Aviation Administration and Northwest China Airways were set up today in Xian, capital of Shaanxi Province, with the approval of the Civil Aviation Administration of China (CAAC).

The Northwest China Civil Aviation Administration will be in charge of management of Northwest China Airways, Xiguan Airport in Xian, and civil aviation administrations in Gansu and Qinghai provinces and Ningxia Hui Autonomous Region.

With a fleet of TY-154M, BAC-146, and YUN-7 aircraft, Northwest China Airways operates on 43 domestic air routes to 30 major Chinese cities.

New Fujian Wharf To Handle Taiwan Goods

OW0212111489 Beijing XINHUA in English 1039 GMT 2 Dec 89

[Text] Xiamen, December 2 (XINHUA)—Chongwu wharf in Fujian Province, the first established for trade with Taiwan, has passed inspection and is being put into operation.

Fishing boats and merchant ships from Taiwan can berth at the wharf, which is situated in the southwest of the town of Chongwu. It has a 1,000 tonnage berth and is the nearest place to Taiwan.

Its completion will promote nongovernment trade between the mainland and Taiwan.

Guangdong To Establish Express Highway Network

HK0712025289 Beijing CHINA DAILY in English 7 Dec 89 p 3

[By staff reporter Li Zhuoyan]

[Text] Guangzhou—Guangdong Province has recently mapped out a blueprint to set up an express highway network in the province in the next 20 years, according to information from the provincial Transportation Department.

In accordance to the ambitious plan, the province is to build 10 high-class highways, with a total length of 2,500 kilometres. These highways, centering on Guangzhou, capital of the province, and connected with the key lines of the national highway network, will be stretched to the province's three special economic zones and other cities in the eastern, western and northern parts of the province.

They include the Guangzhou-Zhenzhen-Zhuhai express highway which will connect the cities of Shenzhen, Zhuhai, Zhongshan, Jiangmen and Heshan, the Guangzhou-Zhanjiang express highway.

To build these highways, the province has to raise 24.7 billion yuan.

The fund will come from various sources including a road-building fee to be attached to bus tickets, the State-allocated fund for the country's key transportation projects, a road maintenance fee from automobiles, issuing of road building bonds and also from foreign investment.

At present, construction of the two express highways, the Guangzhou-Shenzhen-Zhuhai and the Guangzhou-Zhanjiang freeways has already started and some sections have been completed. Research and general designing for the others have also begun.

Freeway Planned for Eastern Hainan

HK0112072389 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0239 GMT 23 Nov 89

[Report: "An Eastern Hainan Freeway Will Be Built"—ZHONGGUO TONGXUN SHE headline]

[Text] Haikou, 23 Nov (ZHONGGUO TONGXUN SHE)—A high quality modern expressway is to be built on the eastern peninsula [as published] of Hainan Island, in an area known as a major special zone. The project has been approved by the State Council, and the first phase of the project is already under construction in Qionghai County. An official from the Hainan Provincial Transport Department is quoted as saying that the freeway will have a total length of 272 kilometers, with a total investment of 930 million yuan. The freeway will begin at the county seat of Qionghai County, go through Ding An, Qionghai, Wan Ning, and Ling Shui Counties, and end at Tian Du County in San Ya City. The lanes going in one direction were recently completed. No other roads will intersect the freeway, and flyovers will be built all along it [quan xian shi xing quan feng bi quan li jiao 0356 4848 1395 5887 0356 1409 7028 0356 4539 0074]. The project is tentatively scheduled to be completed in 1992, and it will reduce the time needed for travel from Haikou to San Ya will by half.

Canal To Be Constructed in Jiangsu

OW0512191789 Beijing XINHUA in English
1451 GMT 5 Dec 89

[Text] Nanjing, December 5 (XINHUA)—A canal 415 kilometers long will be dredged in the coastal Jiangsu Province of east China in order to improve the economy there.

Named the Tongyu Canal, it will run from Nantong County in the south to Ganyu County in the north. About 1.78 million ha of cultivated land, or roughly a third of Jiangsu Province, and 18.9 million people, border the canal.

The canal, which is a comprehensive water conservancy project, will speed the development of the coastal areas and improve agricultural conditions and transport, linking highway, river and sea.

The feasibility report has received state approval. The project is expected to start in a year or two.

Liaoning's Yingkou Port Fulfills Annual Target

SK0812005389 Shenyang LIAONING RIBAO in
Chinese 13 Nov 89 p 2

[Excerpt] By 31 October, Yingkou Harbor had loaded and unloaded 1.53 million tons of goods, overfulfilling by 2 percent its annual loading and unloading target. The old port area of Yingkou loaded and unloaded 1.074 million tons of goods, and the new port area of Bayuquan 456,000 tons, an increase of 25.9 percent over the corresponding period of last year. [passage omitted]

Qinghai Raises Highway Passenger Transport Fares

HK0612030189 Xining Qinghai Provincial Service in
Mandarin 2300 GMT 27 Nov 89

[Text] With the approval of the State Council, the provincial government has decided to raise highway passenger transport fares in our province. It is learned that the current price increases are limited to highway passenger transport. Urban bus fares will remain unchanged, and postage rates for parcel post will not be raised for the time being. The comprehensive average scope of the price increases is 50 percent, with slight differences between categories one, two, three, and [words indistinct].

Following the markup, transport fares will still be readjusted according to different types of vehicles and modes of transport. Disabled servicemen and children will still pay half price for full tickets. Transportation costs for luggage and parcels and miscellaneous passenger transport charges have also been correspondingly raised or readjusted.

The existing highway passenger transport fares were formulated according to the principle of small profit in the 1960's. There have been no adjustments for the past 30 years or more. Following considerable changes in the prices of fuel, car parts, and raw materials over the past few years, plus increases in workers' pay, transport costs have risen sharply and transport enterprises have suffered heavy losses. For example, the Provincial No 1 Car Transport Company, which undertakes 70 percent of highway passenger transport in the province, incurred a total of over 1.6 million yuan in losses between 1986 and 1988.

Moreover, due to low transport fees and rising costs, the enterprises cannot accumulate any funds and find it difficult even to maintain simple reproduction. They cannot afford to upgrade outdated vehicles, which have to continue operating despite having defects, thus threatening the personal safety of passengers. Excessively low passenger transport fares have also encouraged such unhealthy practices as speculation on tickets and unwarranted price increases.

A relevant comrade pointed out: The current readjustment of highway passenger transport fares will play a certain positive role in reversing the losses sustained by

passenger transport enterprises and in promoting the development of the highway passenger transport undertaking in our province.

New Shanghai Berths Pass Technical Appraisal

*OW0212051589 Beijing XINHUA in English
1105 GMT 1 Dec 89*

[Text] Shanghai, December 1 (XINHUA)—Six new berths, each able to accommodate 10,000 dwt ships, paused state technical assessment today.

Four of the new berths are located at Shanghai Harbor and the remaining two at a loading and unloading zone near the Baoshan Iron and Steel complex.

During China's Seventh 5-Year Plan period (1986-90), Shanghai built nine 10,000 dwt-class berths and three 1,000 dwt-class berths.

Construction of another six berths, which will have a total capacity of ten million dwt, is well under way and they are expected to be completed before the end of 1990.

Experts Confer on Building Long-Distance Expressways

*OW0412181589 Beijing XINHUA in English
1503 GMT 4 Dec 89*

[Text] Shanghai, November 4 [date as received] (XINHUA)—Sixteen experts from around the country met here today to begin a nine-day conference on the planned Shanghai-Nanjing expressway, one of the two long-distance expressways to be built in East China.

Set in China's most developed area, the Shanghai-Nanjing expressway will connect six large- and medium-sized cities, including Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing.

Chinese and Japanese experts have conducted feasibility studies on the project over the past two years.

The planned expressway has a length of 275 km., with a designed speed of 120 km/h.

The expressway has been listed by the Ministry of Communications as one of the key projects during the Eighth 5-Year Plan (1991-1995). Construction will begin in 1991 or 1992.

Another expressway connecting Shanghai and Hangzhou is also under discussion. The section from the urban area of Shanghai to Songjiang County is now under construction and will be opened to traffic next year.

Highway Network To Reach Tibet's Medog County

*OW0912020489 Beijing XINHUA in English
1527 GMT 8 Dec 89*

[Text] Lhasa, December 8 (XINHUA)—The name Medog sounds familiar to most travellers to Tibet,

because it is the only county in China that has not yet been connected with the country's network of highways.

However, a new effort now is making the fact an old story.

Standing some 600 kilometers southeast of Lhasa, capital city of Tibet Autonomous Region, Medog is cut off from the outside world by high mountains and dense virgin forests.

In an effort to solve the problem, a road-building project promoted by the state with an investment of 26 million yuan (about \$7.03 million) was started in 1975 but was aborted four years later. The 147-kilometer-long project connecting Medog with Zhamog area came to a stop somewhere around 30 kilometers to the county, because moving forward became extremely difficult in the forests, according to Lin Daoxun, chief engineer of the transportation department of Tibet.

Another reason is that landslides often occurred along the 114-kilometer-long road that had already been built at the cost of 22 million yuan.

Nine years passed before the problem was again put onto the agenda of the regional transportation department in 1988.

The main reason for the suspension of the project, however, Lin Daoxun pointed out, is lack of fund. Tibet's road construction fully relies on the central government's support.

The regional government of Tibet only spend 32 million yuan out of the over 800 million yuan allocated by the central government each year as the administrative fund for road maintenance. The Ministry of Communications, in addition, gives about 70 million yuan to Tibet specially for road building and the maintenance of the regions's 20,000-km-long highways. Most of the money is used to cope with the damages done by glaciers and landslides that have often attacked the key roads in Tibet.

Experts estimate that a further 50 to 70 million yuan will be needed if a highway is to be completed between Medog and Zhamog.

"We have to make a balance on the use the limited fund on those important projects essential for the region's economic development." Lin explained.

The Medog people became so eager to have a road that they finally decided to take an action of their own. In a report to the regional transportation department last year, they claimed the county would put 500,000 yuan in clearing and repairing the old 114-km-long road and set up a transfer post to store and relay the goods to be sent to Medog at a place somewhere around 80 km from Zhamog. Then they would build a makeshift mud road covering the rest 30 km to Medog. The report asked the regional government for another 800,000 yuan to support the local effort.

Now the first phase of the project has been completed, reported an investigation group which has just returned from the construction site.

When the second phase is finished, the group said, the makeshift road is expected to serve the local Medog residents and the stationed troops as well. It can also provide experience for the large-scale rebuilding of a quality highway out of the present makeshift road when the right moment comes.

The initial result is encouraging. The central government is going to invest 1.5 million yuan in the project each year for the next three to five years.

The road will eventually reach the Medog County in three to five years, Lin said.

Ningbo City Airport Expected To Open in Spring

OW1612210189 Beijing XINHUA in English 1542
GMT 16 Dec 89

[Text] Ningbo, December 16 (XINHUA)—Ningbo City in east China's Zhejiang Province is expected to have a new airport next spring.

Work on its 2,500-meter concrete runway was completed here today.

Construction of the airport is designed to improve conditions for overseas investors in this port city.

Most of the work on the airport has been completed. Work has begun on installation of navigation, telecommunications, meteorological and oil supply equipment.

Located ten km southwest of the city proper, the airport will serve as an air bridge for the city's exchanges with other parts of China and the world.

Zhangjia Port Begins Second Phase of Construction

OW0412195089 Beijing XINHUA in English
1516 GMT 4 Dec 89

[Text] Nanjing, December 4 (XINHUA)—Construction of the second phase of an expansion project at Zhangjia Port began recently.

The port, a key state project with a 260 million yuan investment, will have five deep water berths able to accommodate ships of 10,000 tons dw.

After completion of the project, Zhangjia Port's annual handling capacity will be 6,400,000 tons.

Zhangjia Port, located on the lower reaches of the Yangtze River, is an important open port on the Yangtze Delta. First phase construction began ten years ago. Zhangjia Port now has five berths which can accommodate 17 ships of 10,000 tons dw at the same time. The port's annual handling capacity is now more than 4,000,000 tons.

AGRICULTURE

Vice Governors Focus on Developing Agriculture

HK1912061589 Beijing NONGMIN RIBAO in Chinese
30 Nov 89 pp 1, 2

[Report by Fu Zhidi (0265 0037 2769), Zhao Zekun (6392 3419 3824), Li Yongsheng (2621 3057 3932), and Zhao Xiaohua (6392 1420 5478): "How To Break the Stagnant Situation in Grain and Cotton Production—Eight Vice Governors Discuss Agriculture"]

[Text] As the first chill of early winter reached the capital city of Beijing, the Guoyi Guest House played host to the first important agricultural conference after the 5th Plenary Session of the 13th CPC Central Committee—the national meeting for the exchange of experience in the comprehensive development of agriculture. The meeting seethed with enthusiasm. Governors and department and bureau chiefs in charge of agriculture from all over the country expressed unanimous support for the decision of the 5th Plenary Session on developing agriculture. They expressed confidence in breaking the stagnant situation in agriculture and put forward many constructive suggestions. During the recess, we interviewed some of the participants.

The Key to Putting an End to "Slogan Agriculture": A Tilt in Action

We must pay attention to agriculture and make a concerted effort to grasp agriculture, and on no account must we stop at engaging in "slogan agriculture," said Guo Yuhuai [6753 5940 2037], vice governor of Shanxi, with deep understanding. He also said: The Central Committee has shown great resolve and we have confidence. The Central Committee has resolved to take agriculture as a target for the assessment of cadres and has recently decided to raise the purchase price of grain and cotton. This shows that the Central Committee is truly paying attention to agriculture. Provided that this decision is implemented at every level, it will not be difficult to break the stagnant situation in agriculture. On the question of agricultural input, I think the Central Committee should spell out the details at an appropriate time, such as the concentration of funds and its share in total input. It is now clear that the price of cotton will be readjusted, and the cotton growers have been duly informed. However, nothing has yet been said about the price of grain. The fact is, it pays to make an early announcement regarding grain price as this will arouse the enthusiasm of the grain growers.

Ma Yuanbiao [7456 0337 1753], vice governor of Qinghai, said: Qinghai is a grain-importing province, importing over 600 million jin of grain each year. We feel great pressure as subsidies expended on the import of grain amount to over one quarter of our provincial revenue. Vice Premier Tian Jiyun's speech gave us great inspiration. The decision of the Central Committee to simultaneously grasp the economic development of developed and poverty-stricken areas shows that it not

only has not forgotten a grain-importing province like ours, but will devote greater attention to us. I hope that paying attention to agriculture and to the development of poverty-stricken areas will not merely be paper-talk.

Liu Changjie [0491 2490 2638], vice governor of Sichuan, said: Sichuan, as the land of plenty, occupies a decisive position in grain and pig production. Owing to the low price of agricultural products which are subject to unified purchases and badly needed by the state, and owing to a further drop in the price of products freed from price restrictions, higher output is not accompanied by a higher income. The support-agriculture funds which have been established are either "ditches without water" or "ditches with little water." These are factors that restrict the development of agricultural production. When we talk about paying attention to agriculture, we must not be over-emotional. We do not want "emotional agriculture." The plan to reduce the supply of the means of production placed under unified distribution is a case in point. As a result of hard work in various respects, it is reckoned that grain output in our province will equal the all-time record set in 1984. We will strive to increase grain production by another 2 billion jin next year. The external condition for attaining this target is that we must truly pay attention to agriculture both in spirit and in action. As far as Sichuan is concerned, the key lies in relying on science and technology to promote agriculture and taking the road of developing agricultural resources in depth.

Agricultural Production Needs More Macroeconomic Guidance

Gaps and contradictions always exist between market demands and production. How can we make agriculture, particularly grain and cotton production, better suit market demands? According to Zhang Runshen [1728 3387 6500], vice governor of Hebei, it is necessary to stabilize agriculture by establishing a national organ for regulating production and strengthening macroeconomic guidance. What the peasants find most worrying is the present practice of cutting back in case of excess, trying to catch up when falling behind, but being ignored when they are doing just right. Hebei ranks second in the national league of cotton producers. In 1984, our output of ginned cotton reached 2.2 billion jin. At that time, some people said we had over-produced. Preferential treatment granted to us was arbitrarily cut, the practice of awarding grain to those who overfulfilled their state purchase quotas was abolished, and fertilizers awarded to those who overfulfilled their state purchase quotas were reduced. As a result, cotton output dropped from year to year. It is estimated that we will only be able to reap 1 billion jin this year.

Agriculture is not something that can be manipulated by the agricultural departments, water conservancy departments, or other individual departments. Agriculture involves many departments, as agricultural production has close ties with electricity, petroleum, coal, chemical fertilizers, machinery, industry and commerce, taxation,

finance and banking. This makes it all the more necessary to have a coordination department which can properly organize various trades and professions and to create an atmosphere of truly supporting agriculture and paying attention to agriculture.

Wang Sheyun [3076 3195 0061], vice governor of Anhui, also spoke of his experience. He said: Stable policies are the precondition for steady agricultural development. In 1984, Anhui reaped a bumper harvest of cotton but had difficulties selling it. Consequently, the price was slashed in 1985; as a result, income for every 100 jin of ginned cotton dropped by 70 yuan compared with the previous year. The purchase price of cotton is still low. Compared with grain, income from one mu of cotton is only half that derived from one mu of grain. This year, the price of farm insecticides, chemical fertilizers, and plastic sheets for agricultural use has gone up by 50 percent, 30 percent, and 10 percent respectively. If this goes on, the enthusiasm of peasants for farming naturally will not soar.

Ling Botang [0407 0130 2768], vice governor of Guangdong, told reporters that the underlying principle, ideology, objective, and requirements of the present party- and country-wide drive to develop agriculture in a big way are very clear, but the important thing is that these must be translated into action. In my opinion, the call on all trades and professions to give support to agriculture should be made mandatory. Otherwise they may or may not give their support. Agriculture is the foundation. All trades and professions should make it their duty to support agriculture and switch to the orbit of serving agriculture.

Now let us discuss how the party- and country-wide drive to develop agriculture significantly can be realized organizationally. Agricultural development involves many departments. Agricultural departments alone cannot coordinate the relations among different departments and pool the efforts of different departments in developing agriculture. In the industrial sector, there are the planning and economic committees, but in agriculture there are only agricultural departments and bureaus. Since it is not their function to give direct command, many contradictions cannot be resolved. This problem deserves our attention.

If Hunan and Guangdong both reap a bumper harvest, there will be enough to feed the whole nation. This year, Guangdong hit the 35 billion jin mark in grain output. How can we move up a step? First, we must increase input and make a continuous effort to improve the conditions of production. We plan to restore the acreage of farmland under irrigation back to the 750,000 mu level within two to three years, and complete the transformation of 10 million mu of medium- and low-yielding fields within the next three years. Second, we must establish a number of collectively-run grain commodity producing bases of an appropriate scale. We should also set up two or three agricultural commodity comprehensive experimental bases with a fairly high degree of

modernization and explore a road of socialist-modernized agriculture with Guangdong characteristics.

Increasing Agricultural Input Requires the Efforts of Both Central and Local Authorities

Wang Sheyun [3076 3195 0061], Vice Governor of Anhui, noted that his province, popularly called China's granary, exports over 3 billion jin of grain to other parts of the country annually. However, its ability to withstand natural disasters is very poor. Furthermore, there are only 30,000 mechanized wells on the Huaibei Plain, irrigating only 40 percent of the cultivated acreage. This year, since wheat production was hit by natural disasters and more than 200,000 mu of land in the Chaohu district was robbed of its harvest due to flooding, we lost 3 billion jin of grain. This suggests that the role of the state and local financial authorities should be fully brought into play in increasing input. However, the situation this year is that agricultural investment earmarked in the state budget has not even returned to the 1980 level. Funds for farmland water conservancy and capital construction projects alone were cut by 12 million yuan. Last year, local investment was stressed. Anhui Province allocated 200 million yuan for agriculture in its budget, 100 million yuan of which has already been spent. This is actually quite an insignificant sum, spending 100 million yuan on the maintenance and transformation of farmland water conservancy projects built at a cost of 8.8 billion yuan in the 1960's and 1970's. As for electricity, most peasants are using electricity at negotiated prices. The current rate of 0.50 yuan per kilowatt-hour is simply beyond the means of the masses. The gap in chemical fertilizers and farm drugs is even more difficult to fill.

In spite of everything, Anhui is still trying by all and every means to raise money. The provincial financial authorities have allocated 30 million yuan for support-agriculture industries, for instance, for the renovation of small chemical-fertilizer plants and for developing farm drug production. In order to set up a special fund for the development of agricultural production, the provincial government has started levying grain technology improvement fees. The provincial CPC Committee and provincial government have decided to improve on unified control by transferring cadres at the provincial, prefectural and county levels to work in the countryside. They have also formulated a program for the development of agriculture through the promotion of science and technology. High-yielding groups are encouraged to take out contracts and a so-called "five, four, three, two" project (that is, 500,000 mu-ton [MU DUN 3965 0903] of grain, 400,000 mu of high-yielding rapeseed, 30,000 mu of high-yielding cotton, and 20,000 mu of vegetable fields) for achieving a planned bumper harvest has been launched.

Discussing the grave situation confronting agriculture, Ling Qihong [0407 0796 7703], vice governor of Jiangsu, said the fundamental reason lies in our lack of understanding of the formidable nature of tackling the problem of agriculture under the basic national condition of having a large population but little land. Faced

with the epoch-making achievements in agricultural development in the last few years, we were over-optimistic in our evaluation of the agricultural situation. This, in fact, caused us to weaken the idea of taking agriculture as the foundation, slacken leadership over and support for agriculture, reduce input in agriculture, and make inappropriate policy readjustments. It is hoped that these problems would be effectively solved from top to bottom. This year, it looks as if Jiangsu will again be unable to break the stagnant situation in grain and cotton production. It has become more and more difficult to maintain "a per capita grain output of 1,000 jin and a gross cotton output of 10 million dan." In order to break the stagnant situation in grain and cotton production, we must increase input and improve the corresponding system of agricultural guarantee.

The disparity between the prices of grain and cotton has always been bothering the major cotton-producing province of Shandong. Wang Lequan [3769 2867 3123], vice governor of Shandong, was confident that his province would be able to increase its grain output next year, but he was not all that certain about a higher cotton output. The reasons are simple. The peasants can work out for themselves that with the same amount of input, land capable of producing 100 jin of cotton can produce 1,000 jin of grain. They can sell the grain themselves, while cotton can only be sold to the state under the one-track system. Although the state has raised the purchase price, the increase is insignificant compared to the price rise for agricultural commodities. The provincial authorities also have worked things out for themselves. Shandong exports over 10 million dan of cotton to the rest of the country, 50 percent of the national total. Calculated in terms of the formula worked out by the masses, this means over 10 billion jin of grain. What is to be done? It is obviously unrealistic simply to look to the state for an increase in purchase price. The provincial authorities must also do something. While ideological work and administrative orders are both necessary, the most important thing is to offer something substantial to the cotton farmers. The provincial authorities have rigorously enforced the guideline that no IOUs be given when making purchases and that rewards for sales be paid out on the spot. On the other hand, the provincial authorities have tried out the intercropping of wheat and cotton at selected spots. The income obtained from growing one crop of wheat and one crop of cotton is not that much lower than that from simply growing grain. The enthusiasm of the cotton farmers is thus maintained.

Jilin Reports on Grain Purchasing

SK2112034989 Changchun JILIN RIBAO in Chinese
23 Nov 89 p 1

[Summary] As of 21 November, the province has stored 288,000 tons of paddy rice, fulfilling the paddy rice storage task by 47.3 percent; 163,000 tons of soybeans, fulfilling the storage task by 55.2 percent; and 170,000 tons of sun flowers, fulfilling the task by 56.5 percent.

In addition, localities started their corn purchasing work one after another. So far, 243,000 tons of corn have been stored.

Governor Meets World Bank Appraisal Team

SK2312022589 Shijiazhuang HEBEI RIBAO in Chinese 4 Nov 89 p 1

[Text] On the evening of 3 December, Governor Yue Qifeng met with the appraisal team from the World Bank headed by Doctor (Aisar), which arrived here to appraise Hebei Province's agricultural development project. Yue Qifeng expressed high appreciation for and satisfaction with the work of this appraisal team, and expressed hope of expanding cooperation between the two sides.

Arriving in Hebei Province on 18 November, this seven-member appraisal team conducted investigation and appraisal on the feasibility of the agricultural projects undertaken by the province with \$150 million of foreign funds. Thus far, satisfactory success has already been achieved thanks to the close cooperation of the two sides.

Yue Qifeng said: Hebei is a large agricultural province with some 100 million mu of cultivated land. Through 10 years' endeavor, the province now has 370,000 mu of grain fields with their per-mu yield reaching 1 ton. However, this figure is far from meeting the demand, and most of the grain fields in the province are still medium- and low-yield ones. The loans from the World Bank this time to help our province transform medium- and low-yield farmland, develop arable land, and develop the agriculture-oriented industry and the cropping industry will play a positive role in changing the face of the agriculturally backward areas of the province. In addition to the loans from the World Bank, we still need some supporting funds. We are certain we can solve this problem.

Doctor (Aisar) said that the cooperation between Hebei Province and the World Bank began as early as 10 years ago, and satisfactory results have been achieved. Through this trip to the province, we have learned about many circumstances, and conducted a profound study. We believe that the forthcoming loans will play a due role in the 57 counties and cities of the province designated to receive the loans.

More Rigorous Enforcement of Entry, Exit Controls Planned

90ON0225B Beijing RENMIN GONGAN BAO in Chinese 28 Nov 89 p 1

[Article by Xiao Su (1420 5685): "Diligent Enforcement of Regulations Governing Exit From and Entry Into the Country, and Better Control Over Exit From and Entry Into the Country Is Proposal of National Public Security Exit and Entry Control Work Conference"]

[Text] The National Public Security Conference on Control of Exit From and Entry Into the Country ended on 25 November. The conference called for diligent enforcement of regulations controlling exit from and entry into the country, doing better work in controlling exit from or entry into the country, striving to make exit and entry control work meet the situation in reform and opening to the outside world, and constantly advancing toward a more law-based, more standardized, more scientific, and more modern control.

The conference summarized achievements realized in exit and entry control work during the past 4 years. The conference believed these achievements were manifested primarily in the following ways: Gradual movement toward control according to law; steady reform of control work in conformity with opening to the outside world; safeguarding the nation's sovereignty, security, and social order, imposing restrictions according to law, and cracking down on illegal activities; and building, developing, and strengthening an exit and entry control corps.

The conference made special mention of the functional role of exit and entry control units in halting disturbances and in putting down counterrevolutionary rebellion: They restricted entry into the country of elements from outside who were intent on causing disturbances and rebellion; they imposed restrictions according to law and cracked down on illegal activities; and they prevented disturbances and the escape of rebels.

In addition to analyzing the main problems currently existing in exit and entry control work, the conference also proposed ideas for future assignments and work.

The conference proposed that the overall guiding thought in controlling exit from and entry into the country should be to safeguard national sovereignty, security, and social order; to protect the legal rights of both Chinese and foreign citizens; to promote international exchanges; and to serve reform and opening to the outside world, as well as to build the economy. The conference noted that the country's legal system is being perfected and that strict compliance with the law should be greatly emphasized in the control of exit from and entry into the country, the law being relied upon, and laws being strictly enforced. Leaders in charge at all levels and police cadres in charge of controlling exit and entry should fully and systematically understand exit and entry control regulations, as well as rules and regulations closely related to our work, diligently enforce

them, and correctly apply them. They should improve their consciousness of controls, enforce control measures, change from static control to dynamic control, and change from routine control to intensive control. Laws, rules, and regulations should be perfected so that all control work develops toward being more scientific and more standardized. The conference emphasized the need to pay extremely close attention to improving the political and professional quality of police cadres. In doing exit and entry control work, more emphasis should be placed on police cadre adherence to the four basic principles, to education in opposing bourgeois liberalization, to education in serving the people wholeheartedly, particular emphasis going to constant indoctrination linked to reality on police honesty, refusal of bribes, and guarding against corruption. Required clean government systems, supervisory and inspection measures, and methods for accepting and hearing appeals should be established.

Academic Sees Continued Need for Confucian Approach

90ON0197A Beijing RENMIN RIBAO in Chinese 10 Nov 89 p 6

[Excerpts from a paper by the writer Bu Jinzhi (2975 6602 2535), presented at a "symposium commemorating the 2,540th anniversary of Confucius' birth"]

[Text] With more than 5,000 years of history, our great motherland stands like a giant in the East. Although it has through the ages witnessed great changes, it remains the world's only ancient civilization that has maintained a culture unbroken throughout its history. Possessing matchless vitality and historical continuity, the motherland has created the magnificent Chinese culture that towers above and is independent of the cultures of the world. Some 2,500 years ago, Confucius—a great man both in Chinese and world culture—and the Confucian school of thought that he founded triumphed in the world of the time with a rich and profound ideological doctrine. During the long years of feudal society, Confucianism, irrespective of the doctrine of thought with which it might be associated, was constantly utilized and developed and even deliberately distorted and strengthened to serve the needs of successive dynasties in safeguarding and increasing their feudal control and then was cast aside when no longer of use. However, its radiant spirit and edifying ideas, carried forward and developed through the dynasties by progressive thinkers and men of virtue, have become the cohesive force in developing the Chinese nation over a long period of time, and even today, as embodied in Chinese civilization, its spirit and ideas still need to be propagated.

1. The great unifying ideology of "I follow the men of former times." It was a complex mixture of many nationalities—a mixture from which the Chinese people of the central plains were formed during the time of the Western Zhou, along with a fusion of cultures, that gave birth to the magnificent civilization of ancient China.

The intrinsic meaning of the expressions "Hua," "Xia," and "Zhongguo" [terms for "China"] in fact refers to culture or civilization. Broadly speaking, the Zhou dynasty "rites" in a general sense referred to society and civilization. In critically sustaining and developing the Western Zhou civilization of the Xia and Shang, Confucius adopted a positive attitude. His "I follow Zhou," is, in effect, an affirmation of the civilization of ancient China. The Spring and Autumn Period and the Warring States Period were new periods when there was a great fusion of the people of ancient China with neighboring peoples. According to Confucius, "The men of former times were rustics in the matters of the rites and music, it is said, while the men of these latter times, in the rites and music, are accomplished gentlemen. If I have occasion to use those things, I follow the men of former times." This progressive view did not give first priority to ties of blood and race but rather to "rites and music." His emphasis on promoting the rites of Zhou was essentially a cultural matter. All who abided by the rites and conducted themselves morally were civilized. Those who did not were uncivilized. These were the standards he used to differentiate the "Xia" from the "barbarians." However, relations between the "barbarians" and the "Xia" could also be transformed by cultivating the "refining influence of learning and art" and by not promoting violence and force against foreigners. This was just the opposite of the point of view of slave-owning systems—systems based on blood ties and race—which stressed "tribal differentiation." Moreover, it embodied the progressive ideology of achieving a grand unification on the basis of the preceding culture. At that time, the main content of the civilization of ancient China was rites and music. It not only represented the preceding culture that existed in China, it was also one of the great cultural systems of the world. As developed by the Gongyang school of thought during the Han dynasty, it became the main component of China's traditional ideology, advancing the formation of the Han people and their fusion with other peoples, and thereby the Chinese nation and the Chinese civilization that it represents.

2. The national spirit as embodied by "benevolence." "Benevolence" was the core of Confucius' doctrine on the theory of morality and the main component of his ideological system. "Benevolence" cannot be defined outside the context of "man." It emphasizes the harmony of mutual relations between one person and another. "Benevolence" has a dual contradiction. On the one hand its approach to actual political affairs is to "submit oneself and apply the rites," thus safeguarding the stratified system of the patriarchal clan. On the other hand, posing the very highest standards of morality, it demands the perfection of human character. Confucius' "way of magnanimity" expresses equality toward fellow men, mutual respect, and love, thus embodying the humanist ideology of "the benevolent person's love for fellow man." The benevolence of the "way of magnanimity" is essentially converting love of self to love of fellow man. It holds that only when an individual's "character" is perfected can that individual put himself in the place of another and can that

individual become an "inner sage" and an "outer king," and thus achieve the ideal of "governing the state and making the kingdom peaceful and happy," as summed up by the later Confucianists from the "great learning." In Confucius' view, the highest state of perfected character to which a "man of benevolence" could aspire was "to live his life without harming his integrity and to give up his life to preserve his integrity." It is precisely the fostering of this lofty spirit, the cultivation by the Chinese nation of a selfless virtue that regards everything under heaven as its own responsibility, and the development of a lofty "national character" of high moral courage marked by devotion to one's country and one's people that have become the spiritual mainstay for the fine traditions of the Chinese nation.

3. An active style of statecraft capable of great achievement. The school of thought created by Confucius is characterized by an active style of statecraft capable of great achievement that seeks to rule the country in peace and order and to build it through meritorious deeds. It is opposed to passively dying away. Its style of statecraft is associated with the atheistic trend of the time that emphasized man and slighted the gods. Confucius fostered a tradition of humanistic "benevolence" which emphasized man and disregarded the gods. He would not discuss prodigies, prowess, lawlessness, or the supernatural. And what is particularly commendable is that he would not yield to objectivity [as published]. He was thus able to propose an active style of statecraft capable of great achievement which would constantly try to improve itself, which would constantly struggle, and which would "recognize what was possible and what was impossible." After Confucius, Mencius and Xunzi carried on the Confucian style of statecraft. Following the burning of the books and execution of Confucian scholars during the Qin and despite the divisions in the Han and Song schools, his tradition of statecraft continued to be carried forward. Even the Lixue school of the Song and Ming did not abandon it. Right up to the late Ming progressive scholars, who were still implementing administrative and leadership reforms to save the endangered nation and who were paying particular attention to the "practical use of statecraft" which opposed phrasemongering, initiated a trend of sound scholarship that was needed at the time—a scholarship marked by a style of dealing in specifics and by the enlightenment of the early periods. From the founding of the Confucianist school, the style of statecraft that emphasizes the living world and slights what is outside the world has descended in one continuous line to become the major feature of China's traditional cultural ideology. This style of statecraft had an active part in resisting domestic and foreign religious influences and enabled China to avoid the religious dark ages of medieval Europe.

4. Fostering the tradition of "giving priority to learning." Confucius carried on and developed the positive aspects of the fine tradition handed down from the Shang and Zhou of "giving priority to learning practiced by their

ancient rulers and sovereigns and the people who founded the nation" (*Book of Rites*). He broke with the old "palace learning" tradition of the Western Zhou, encouraged the new practice of private teaching, and promoted the spread of cultural knowledge, thereby laying the academic groundwork for the coming phenomenon of "letting a hundred schools contend." Setting forth the principle of "teaching without class distinctions," Confucius was the first to establish universal education. He felt that cultivating "worthy talent" was better than "recommending worthy talent" unanimously by administrators. He thus broke the aristocratic restrictions of blood ties and opened up political power to "scholars" of the common class—a major development in the history of China's educational thinking. Confucius in his teaching carried on the Western Zhou tradition of the "six disciplines" and advocated that the "rites" be used to keep behavior within proper bounds, thus displaying a comprehensive approach to teaching by simultaneously developing the qualities of virtue, wisdom, substance, and goodness. Confucius also advocated an attitude toward learning that included seeking truth from the facts by "knowing what one really understands and admitting what one does not know." His combined educational approach was equivalent to a whole series of instructional ideas and methods, constituting a valuable teaching legacy from ancient times that even today still has lessons for us to draw on. The succeeding dynasties having, after Confucius' time, carried on and fostered the tradition of "giving priority to learning" is one of the reasons China has always had a good reputation as an enlightened age-old nation and as a "country of propriety and righteousness."

5. The mental attitude of "taking away from or adding to" the principle of "being friendly but not adulatory." In editing the *Book of Poetry* and the *Book of History*, ordering the rites and music, and rectifying the ancient books and records, Confucius fashioned a complete cultural opus of three dynasties. From detailed study of the Xia, Shang, and Zhou cultures, he perceived "what was taken from and what was added to" the cultures of the previous dynasties and, on that basis, proposed a cultural attitude that "took away from or added to" the principle of "being friendly but not adulatory." This was a positive motive force in the flourishing success of Chinese civilization. As early as the Spring and Autumn Period during the Western Zhou, Shi Bo set forth his famous proposition that "harmony results in the production of things, but identity does not," which recognized that only by having various types of qualitatively undifferentiated substances and elements "harmonize" and "commingle" is it possible to constitute all things under the sun. If only identical elements are used together, then "the undifferentiated unity cannot produce things." Assimilating the content of this proposition on spontaneous dialect, Confucius set forth the principle of "the superior man being friendly but not adulatory, and the small man being adulatory but not friendly" and put it into practice to handle various situations in people's contacts with each other. Expanding the principles of

"being friendly but not adulatory" and "selecting good qualities and following them" into the cultural sphere, that is, the attitude of "taking away from or adding to" the principle of "being friendly but not adulatory," he demanded that the cultural legacy of our predecessors be respected but not obstinately followed and that they be carried on while at the same time creating a new legacy. This unfolding tolerance for the pursuit of cultural development, which simultaneously combined the fine tradition of the hundred schools with attention to carrying on the cultural legacy and at the same time creating a new legacy, had a far-reaching influence on the development of China's ancient academic culture.

Confucius and his doctrine of thought, as well as the spirit and entire body of his thinking during feudal times that was developed and constantly influenced by the process of "taking away from or adding to," has, generally speaking, now been negated by the advance of history. Even though what was described above played a positive role in social development and progress, even though it embodied the valuable spiritual wealth of Chinese cultural traditions, and even though without exception it made an imprint on that age, the basic essence of the by no means simple process of "taking away from or adding to" still has to be to remolded for the building of today's socialist spiritual civilization. However, to think that before we can build China's new culture we must completely cut ourselves off from history and abandon all tradition and import en masse the cultures of other countries is not only culturally antiscientific, it is also a fantasy that can never be implemented. A socialist new culture for the current era can be successfully created only in the soil of present Chinese culture by scientifically and selectively carrying on the best cultural traditions of our own people and by selectively assimilating and blending in the best cultural traditions of the world. As can be seen from what has been set forth above, carrying out scientific studies and serious inquiries into Confucius and Chinese cultural traditions has an immediate significance for us today.

Panel of Educators Discusses Failures in Education

90ON0095A Beijing QUNYAN [PUBLIC TRIBUNE] in Chinese No 54, 7 Sep 89 pp 4-10

[Article in "Special Forum" column compiled by Chen Bangzhi (7115 6721 4160): "Where Has Education Gone Wrong?"]

[Text] *Editor's note:* On 28 June 1989, the Editorial Department of QUNYAN sponsored a special forum entitled, "Where Has Education Gone Wrong?" The meeting was presided over by Professor Tao Dayong [7118 1129 1661], vice chairman of the China Democratic League. The following comrades also participated:

Zhu Ercheng [4281 3643 3397]: Instructor, Beijing Number 3 Middle School

Xu Jialu [6079 0857 3873]: Vice principle and professor, Beijing Normal University

Li Ou [2621 2962]: Professor, Qinghua University

Chen Xia [7115 0204]: Researcher at the Curriculum and Teaching Material Research Institute of People's Educational Publication House

Yang Deben [2799 1795 2609]: Instructor, Beijing Number 15 Middle School

Zhao Jing [6392 7231]: Professor, Beijing University

Xie Tao [6200 7290]: Professor, China People's University

Chu Zhuang [2806 8369]: Vice chairman of China Association for Promoting Democracy

Tao Dayong: Teacher's Day will soon be here. The Editorial Department of QUNYAN has invited you here to discuss a topic of great concern today: Education. Since the founding of the PRC, there has been rapid development in our educational undertakings. After the 3d Plenary Session of the 11th CPC Central Committee, in particular, much has been accomplished in bringing order out of chaos. We must give that kind of success full recognition. To talk about the mistakes again is not to negate what has been accomplished; rather, it is to ensure even greater success in the future. Comrade Deng Xiaoping said, "The biggest failure in the last 10 years has been in education. I refer mainly to ideological and political education." "Little has been taught about building an enterprise through arduous effort, about what China is today, and what China will be tomorrow. That is our greatest failure." Most of you who have been invited to today's forum are from the institutes of higher education; some are middle school teachers. You have long dedicated yourselves to education. You must have profound feelings about this issues. I urge you to talk freely about your own experiences.

Strengthening Ideological and Political Education Requires the Concerted Effort of the Whole Society

Chen Xia: Where has education gone wrong? There is no simple answer to this complex question, because education is a complex social phenomenon. Education has to do with politics, economics, and culture and is also closely related to the individual's growth and maturity. Before we talk about the failures in education, we must first look at education in the broad sense. Education refers not just to conventional, formal education, but also unconventional, informal education. In the past we often said that if proletariat ideologies fail to take up position on the cultural and educational fronts, bourgeois ideologies will certainly seize position. Actually, this is true not just on the cultural and education fronts but on all fronts. Besides, in the last 10 years, unhealthy tendencies left behind by the Cultural Revolution, such as extreme individualism, the profit-before-everything mentality, and feudal superstitions, are still alive and well today. Since reform and opening up, the policy of making the people rich has been a sound policy, but we

must insist on getting rich through hard work, by obeying the law, not through profiteering and speculation, and not by reaping personal profit at public expense. It is fine to suggest that some people should get rich ahead of others, but who should be the first to get rich? Generally, people who perform more complicated and arduous tasks and who contribute more to society should be the first to get rich, not the people who engage in speculation and profiteering, who abuse power and seek private gains. Only in this way can we encourage and teach the young people to take up complex and difficult tasks and contribute more to society. Today, everything is "for money's sake." What a disaster. Often, one's political career is evaluated based on his hometown's per capita income, not on its cultural and educational achievements. It has become what Mengzi described, when he went to see the king of Liang, as "a nation of people looking for profit." This, of course, is not just education's fault, but because "the nation of people is looking for profit," there is no socialism to speak of, and the dike built by ideological and political education has been washed away by the flood.

The dual-track pricing system, the examination and approval of imported goods and materials, and other loopholes have made possible the merger of power and profit, resulting in "official profiteering." This has led to an unhealthy party tendency, followed by corruption in society. Di Wulun, a famous court official of the Eastern Han dynasty, once said, "Those who teach by deeds will be obeyed; those who teach by words will be defied." He suggested that those in high places should set an example for others. A fine example has boundless power, and, therefore, those in high places must speak and act cautiously and be the people's role model. This will give play to the tremendous invisible power of education.

The failures of education in its broad sense are probably caused by our emphasis of material civilization and neglect of spiritual civilization in the last 10 years. Every aspect, from the basic tasks to the specific measures, of the "Resolution on the Guiding Principle for Socialist Spiritual Civilization," ratified by the CPC Central Committee in 1986, has to do with education. But after this resolution was announced there was no fanfare to give it publicity, nor was there the slightest effort to seriously implement it. On the contrary, the schools were asked to recruit more students on their own, and the intellectuals were told to "improve themselves." As a result, even the schools, which have always been known for being aloof, were forced to join the ranks of profit seekers. No wonder there was a popular saying: "Of a population of one billion, 900 million are merchants, and the other 100 million are doing shady business on the side." The seed of "a nation of merchants" we planted has yielded the fruit of failed education. It was a serious mistake, a mistake that cannot be soon corrected, nor can education itself salvage the situation.

To remedy this kind of failure in education, first, we must enforce party discipline and the laws of the country. We must rectify party tendency, punish those

who engage in official profiteering, put an end to corrupt practices, and reestablish the party's prestige among the masses. Second, leaders at all levels must set an example. They must not urge the people to endure poverty and live a simple life while they themselves indulge in consumption, like rushing to buy imported cars, build fancy homes, and, in some poverty-stricken counties, even spend poverty-relief funds on luxury cars. Furthermore, we must create a general atmosphere in society that encourages hard work and thrift and eliminates extravagance and dissipation. For this reason, we must insist on "an honest and upright government." There is an ancient teaching, "Thrift cultivates honesty." It may be difficult to "give up extravagance for thrift," but if we can accomplish the first two goals, we can do this too.

Li Ou: The biggest failure in recent years is in education, especially in ideological and political education. From education by the state and society to education in the schools and at home, all are at fault.

With respect to education by the state and society, the mistake lies in inadequate education and propaganda about the condition of the country. What kind of country is China? Its 1.1 billion people remain in a backward state. There is urgent need to improve the quality of the people. What kind of country will China be tomorrow? Reform and opening up and the upholding of the four basic principles have ended China's close-door policy and helped it escape poverty and backwardness. China still must struggle arduously for another 50 years if it is to become a moderately well-developed country. This is the present condition of the country, but education and propaganda in this area are lacking. Although we acknowledge that China is still at the early stage of socialism, everything is still fairly abstract. A couple of years ago, we even advocated increasing consumption and urged the people to make money, spend money, and as a result, the tendency toward ostentation and extravagance and lavishly displaying one's wealth quickly spread across society. Some cadres have become so extravagant and wasteful that several hundred million yuan are spent each year on food and drinks alone. They know very well that the country is not rich, but they do not care. When it comes to material goods, consumption is never held back. As for spiritual civilization, there is a flood of bourgeois liberalism: Radio and television propagate the bourgeois outlook on life and marriage; newspaper and magazines recognize no limits and taboo and poison the young people's minds with pornographic and gory tales. Are these appropriate in China today? In Japan, the elementary and middle school textbooks remind the students that "Japan is cramped and has few natural resources. Only through hard work, only by relying on technology can we survive; otherwise our country will perish." These words teach its people to live in trepidation. We, in China, "sing and dance to extol the good times."

With respect to school education, ideological and political education, including education in communist ideology, the four basic principles, organic discipline, and

moral character, are grossly inadequate. What the students know about the condition of the country is only what they have read in books. They do not work and have little contact with the people; they know little of what China went through when it single-handedly reconstructed itself. They were not around during the 10 years of great turmoil and have not learned to cherish this hard-earned situation of peace and unity. They have simply accepted Western culture and thought without really understanding them. They blindly advocate the "multiparty system" and "free election" and what not, putting their democratic ideology before everything else. And meanwhile, there is indeed corruption within the party, mistakes have been made in certain areas, and, therefore, there are many ideological problems. The party and the league's work on ideologies and politics has been slack and inadequate, and ideological education too lacks direction.

With respect to family education, today, most urban families have only one child. The children grow up under the best of conditions. They are well-fed and well-dressed, and they have cultivated in themselves the idea that, if something needs to be done, it must be done immediately, and if there is a problem to be solved, it must be solved right away; failure to do so is the mark of incompetence. And they quite believe that they are infallible. Most young people in the rural areas are illiterate or semi-illiterate. They do not know how to increase production or use scientific farming techniques. Not long ago, many young men found their way into the big cities, exerting a lot of pressure on society. In short, in the cities as well as in the countryside, the young people have not been adequately taught about moral character and about accomplishing something through hard work. We must not overlook the importance and urgency of education at home.

The state, schools, and families must work together to teach the young about the condition of the country, the four basic principles, and about moral character in order to remedy the above failure.

Xu Jialu: I agree with the view that the biggest failure in the last 10 years has been in education, especially ideological and political education. I believe that school education is the major part of education, because everybody has to go to school, and school is also the most systematic and organized form of education. The education one gets from society and at home and the education one receives after one joins the party or the league are but supplementary education—they are just icing on the cake. I also believe that when it comes to the failures, we must look not just at the last 10 years but the last 40 years. When Comrade Xiaoping said that the biggest failure in the last decade was in education, he was referring mainly to practices since the 3d Plenary Session of the 11th CPC Central Committee. The truth is, political and ideological education already failed 17 years ago, otherwise, how could almost 100 million people have been deceived? Our mistake has always been in our pursuit of formalism and everything that is

superficial; we have never tried to seek truth in facts. For example, back then, facing the "three red flags" [referring to the general line of socialist construction, the Great Leap Forward, and the people's commune], everybody was forced to declare his stand; people were even appraised on that basis. This only fostered insincerity; it never solved any problems. Many factors influence the formation and maturity of young people's thought. The main problem today is that the school's political and ideological education is no longer real; a lot of things being taught are superficial. When this generation of young people was growing up, they sang songs of love for the Communist Party and for socialism, and by the time they were in elementary and middle school, they were taught ideology and political science, and they scored 80-90 percent in their texts. But what is the real world like? We must think about this carefully. We need to teach the young people more about our revolutionary tradition as well as our fine national traditions, about individual moral character, about the law, and about obeying the law. We must also increase propaganda and education about the condition of the country and the problems in founding and running this country. The recent disturbance demonstrates how naive the students are. China is a vast country with a huge population and scanty resources. The students did not realize that, nor did they understand that China cannot practice capitalism—neither the international environment nor our domestic situation would permit it. We can only walk steadily toward socialism, and to do so requires the leadership of the Communist Party. To find the effective ways and means to furnish education, we must find out what kind of education children of different age groups need and how to provide that kind of education. Socialism is the advanced stage of human social development. If we are ignorant of the history of social development and the basic characteristics of socialism, we will not understand why the socialist way is inevitable. Inculcating concepts and terminologies is useless; thorough understanding is necessary, and we should integrate different kinds of education and ultimately foster a scientific outlook on life and on the world among the students. Only with this kind of foundation and with society's solicitude can we withstand the test of political storms.

Yang Deben: I want to say something about the problems and difficulties we run into in middle school political education. In the political science classes in senior middle school, teachers tell the students that socialist democracy is real, extensive democracy, that the National People's Congress is the country's most powerful organ, and so on. But it is very difficult for those teachers to explain some issues raised by the students. Another point is, when the teachers talk about the superiority of the socialist system, some students find it emotionally difficult to accept, because they do not like the unhealthy tendencies that exist today. The teachers are very anxious about this. This is, perhaps, a matter of improving teaching methods and getting more capable teachers, but we must study some of the theoretical

issues more carefully, especially about dealing with corruption, about equality before the law, and about developing a good workstyle and so on. If these issues are not resolved, if we do not accomplish a few solid tasks and win the trust of the people, no matter how well the teachers handle the political science classes, the students' ideological problems will not be solved, nor will the teachings take root deep in the students' minds.

Zhu Ercheng: As a teacher of elementary education, when I look back at the mistakes made in ideological and political education, I, and I believe my colleagues too, will admit that we must take responsibility. In recent years, overall, moral education in elementary and middle schools, especially middle schools, has indeed lost ground. This is the ill consequence of erroneous concepts and methodologies in education, as characterized by the over-emphasis on getting the students through to higher grade schools. The middle and elementary school teachers may appear to have gained social status, but they have, in fact, lost ground—this may also be the culprit. More serious is society's many bad influences, which not only have robbed the schools' positive education of the social basis and protection it deserves, but have repeatedly lashed out at formal education. They have greatly diminished the effects of political education that teaches upholding the four basic principles, ideological education that teaches dialectical and historical materialism, and moral education that teaches socialism, which centers on collectivism. We should acknowledge that the middle and elementary school teachers have tried their very best. Faced with the new problems, however, we must, in theory and practice, and in every realm of education and teaching, explore the all-important question of how to strengthen ideological and political education, especially how to teach the students to exercise better judgment. Meanwhile, I urge the whole society to put the country and its people's interests first. The leaders and the people must work together, and people from all quarters must cooperate with one another, so that we can reestablish a good secular atmosphere and improve the environment for educating people.

Education's Hidden Trouble Is the Neglect of Elementary Education and the Failure To Eliminate Illiteracy

Chen Xia: I have no intention of negating everything education has accomplished in the last 40 years. Today's topic is "Where has education gone wrong?" and so I must be practical and focus on past mistakes. In my opinion, we failed to promote universal compulsory education and failed to eliminate illiteracy, and that is why the nation's cultural and scientific standards and ideological and moral standards are so low today. The "Compulsory Education Act" was announced and implemented 3 years ago, but lately, everybody is saying, "education is useless." Many students are dropping out of school, and there is a flood of child laborers and merchants. There are more and more people who are illiterate or semi-illiterate. This is an education crisis, a hidden peril in the country's modernization. Lenin said, "Communist society is not found in a country with

widespread illiteracy." He also said, "As long as there is illiteracy in this country, there can be no political education to speak of. This is not a political task; this is a condition. Failing to meet this condition, there will be no politics to speak of." "The illiterates linger outside of politics; they must be taught to read first. If they are unable to read, there can be no politics." As early as 1934, the Soviet Union began to provide universal elementary school education (4-year system) in the rural areas and universal junior middle school education (7-year system) in the cities and towns and industrial and mining districts, and that is how they eliminated illiteracy 5 years later, in 1939—17 and 22 years, respectively, after the October Revolution.

It has been 40 years since China's victorious revolution; even elementary education is not yet universal. Nearly one-quarter of the nation's population are illiterate. From now on, we must make universal compulsory education and elimination of illiteracy our basic national policy, just like we made family planning our national policy. Specialized leading organs of the central government and local organizations must try to fulfill their plans to fund education, train teachers, build schoolhouses, and provide equipment step by step. The sooner we do this, the sooner we will achieve modernization.

Xie Tao: Overall, it is very clear that China has not paid sufficient attention to elementary education. There is a tremendous need for elementary education, but investment is lacking, schools are poorly equipped, teachers are ill-qualified, wages are low, standards are poor, and there is too much of a difference between city and country schools. Those who run schools worry only about sending more students to the higher level schools. There is no variation in the way the schools are being run, and there is no attempt to link education to practical work. Few alternatives are open to those who have just graduated from junior middle school. In rural areas, middle school education has left out agriculture. Vocational-technical secondary school education receives little support, and secondary school and kindergarten teachers are lacking, both in number and qualifications. These and other problems are plaguing middle and elementary schools, especially those in rural, remote border, poverty-stricken, mountain, and old liberated areas. The newspapers have reported many incidents of middle and elementary school teachers being beaten and humiliated by their students, and stories of middle and elementary school students dropping out of school, school buildings in a state of disrepair, and teachers abandoning their jobs to go into business, and so on. One cannot help but feel that unless vigorous action is taken to strengthen and improve middle and elementary school education, all the talk about improving the quality of the people of all nationalities, upgrading cultural standards of the labor force, and improving the quality of college and university students will be seriously compromised; society as a whole will be adversely affected too. For years, people have clamored for better basic middle and elementary school education. It is clear

that the problem is serious and the leadership understands and has attached importance to this problem, but progress has been slow. Plenty has been said, but little has been done. The same old problem has dragged on for 40 years; little has changed. In my opinion, the emphasis of education reform should be on strengthening and improving elementary education. We must be determined; we need reform; we must take action, invest money, find ways, lay down laws, supervise and examine, check and review, and get results. Otherwise, if we know that mistakes have been made but do nothing to correct them, we will be making an even bigger mistake.

Xu Jialu: "Inversion" exists in education too: We over-emphasize higher education and overlook basic education. This is a big mistake. Everywhere, even in Beijing, middle and elementary school buildings are in disrepair. Some school can be described as "operating in a Qing dynasty building, using KMT-era facilities, educating communist kids." Nationwide, there are 7,500 square meters of dilapidated school buildings, which is increasing at a rate of 3 percent a year. Another strange phenomenon also demonstrates this kind of "inversion": Compulsory education costs money, but noncompulsory education turns out to be free. Even many well-developed countries cannot afford to guarantee free higher education. I think our "Compulsory Education Act" is too advanced, because at present the state is unable to deliver what it has promised: If the state pays for education, all school-age children must attend school, or else the parents will be violating the law—at present, this is impossible to enforce.

The tendency to emphasize higher education and ignore elementary education should be rectified. In recent years, many polytechnic schools have been upgraded to "polytechnic colleges," polytechnic colleges have simply become "colleges," and colleges have become "universities." Nobody is content with his or her role; everybody wants to move up. As a result, there is a flood of substandard institutes of higher education. From the point of the size of enrollment, of all institutes of higher education, 175 have fewer than 500 students; 623 have less than 1,000 students. Their poor performance and quality can be expected. There must be laws regulating these institutes of higher education. Schools that have substandard teaching staffs, an insufficient number of students, inadequate funds, and are ill-equipped to function properly should be closed, suspended, merged, or switched to other use. The money so saved can be used to fund elementary education. This not only will facilitate the healthy development of higher education but will also raise the quality of the colleges and universities.

Chen Xia: We have talked about education spending, teacher training, and better teaching facilities for many years. Personally, I think the money issue is easier to resolve than the teacher issue. If we are determined to attach importance to education, the foundation on which this country is based, the money problem can be solved. Teacher training, however, is not an undertaking that produces instant results. Because intellectuals are

poorly paid and teachers' salaries are even more meager, many young people are not willing to attend normal college and become teachers. Thus, the issue of better teachers is tied closely to better pay for teachers. We cannot further put off hiking the salary of qualified teachers who are also doing a good job. Today, it costs each college student at least 100 yuan a month for living expenses and school supplies and so on, but upon graduation, they earn less than 100 yuan a month. How can we allow this impossible situation to go on?

We should not be satisfied just because "there are no collapsing buildings, and there is room for every class and a desk for every student" in the middle and elementary schools, not to mention that today we do not even meet those standards. The success of communist undertakings is dependent on the continuous efforts and arduous struggle of generation after generation of successors. It is inconceivable that our party and government leaders at all levels would neglect the education and training of future generations and devote themselves to developing tourist attractions and amusement parks instead. If the middle and elementary school do not adopt modern teaching methods, even if we double our teaching effort, it will still bring only half the result. This will be to our disadvantage, too, as we compete internationally.

Zhao Jing: I think we have the tendency to be too "eager for quick success and instant benefit" in education. Higher education needs a good education in basic theory, but today we only emphasize applied science and treat basic theory as superfluous, or even suppress it. The truth is, if we lack education in basic theory, applied science will have little stamina to sustain development. Furthermore, why, after so much attention has been paid to higher education at the expense of basic education, has the task of dealing with the college students' ideologies been so difficult? This, to a large extent, is the disastrous effect of our neglect of middle and elementary school education. If we neglect ideological and political education in the middle and elementary schools, by the time the students graduate from middle school, their thoughts and ideas about society, about life, and about the world are already set. It will be very difficult to change their minds then. This phenomenon is also the result of our "eagerness for quick success and instant benefit." The educators must think in the long term. They must not forget that "It takes 10 years to grow trees, but it takes 100 years to rear people."

Leaders at All Levels Are Responsible for Education's Failures—This Is an Established Fact

Chen Xia: When it comes to education's failures, it may sound harsh, but China's education is still not on the right track after 40 years. This is not just alarmist talk, nor dare I make trouble. Let us look at the facts: 1) Except for the one sentence in Article 46 of the Constitution of the People's Republic of China (1982) that says "The state promotes the all-around moral, intellectual, and physical development of children and young people," which can be deemed the nation's guiding

principle for education, there is no other explicitly stated educational goal or guiding principle. 2) Except for the "Compulsory Education Act," there is no other law on education of any kind and at any level. 3) Except for some school-related regulations promulgated in the 1960's, to date there has been no new regulation on how to run schools of any kind (including kindergarten) at any level. 4) Except for some policy-type regulations that have no legal effect, there are no "education funding laws," and so there is no legal basis for fund source, allocation, use, and auditing. 5) "Teacher's Day" is celebrated, but there is no "teacher's law." There are no laws guaranteeing the status, training, appointment, wages, examination, reward and punishment, and job security of teachers in kindergartens or any other kind of school. 6) The "Resolution on Reform of the School System" was announced in 1951, and there have been many changes in the school system in the 30 years that followed, but, other than that, there has been no other formal decree regarding the school system.

There is basically no education legislation. Education must be legislated according to the law of education. Even though laws are man-made, the law of education cannot be altered by man. Thus, when we legislate education, we must consider the law of education if our own laws are to be workable and effective. Today, few among China's leaders in education pay much attention to scientific research on education, even fewer understand the law of education. How can mistakes be avoided in this lawless situation?

Chu Zhuang: When Comrade Xiaoping said that the biggest failure is in education, he referred primarily to the serious neglect of ideological and political education in society as a whole. At a higher level, this points to our failure to focus simultaneously on both spiritual and material civilizations. In 1986 the party ratified a resolution on socialist spiritual civilization, and the 13th National Party Congress also proposed elevating education to a strategic position, but it was not implemented. At National People's Congress and CPPCC [Chinese People's Political Consultative Conference] meetings in recent years, many people have raised the issue of serious problems in formal education, in cultural publications, and in different areas of our spiritual civilization; some have even characterized it as a crisis situation. But certain leaders in the Education Department insist that education has been at its best since the founding of the PRC. Of course, progress has been made, and it is not too difficult to find examples of localities and departments that pay ample attention to education. But overall, from the central government to the local governments at all levels, education and spiritual civilization have not been given strategic priority. Today, guided by the spirit of the party's 4th Plenary Session, we should seek unity of thinking; we should concentrate on spiritual civilization and strive to correct past mistakes in education.

Xie Tao: In my opinion, the biggest failure in education lies with the leadership. Education has been a failure all

these years, and the responsibility lies with the leadership, not the schools or the teachers. Leaders at all levels, especially those in the central government and in the State Education Commission, must shoulder responsibility. The State Education Commission has its own problems; it has limited autonomy. When I say the leaders are responsible, I mean especially in terms of guiding ideology: 1) The relationship between modernization and education, knowledge, and science and technology has not been straightened out. In the past, ideas that "the more educated, the more reactionary" and "education is useless" were rampant, and today, the renewed charge that "education is useless" has once again surfaced; students are dropping out of school, the ranks of illiterates are swelling, and the graduates want to go into business and politics and do not want to become teachers or work in the science and research units—these reflect the failure to straighten out the relationship between modernization and education. The 13th National Party Congress proposed elevating knowledge and education to the strategic position—this is a breakthrough for knowledge and education; it is progress of historic magnitude, and the people should be encouraged. Modernization means developing productive forces. Talents and science and technology are the most active elements in the productive forces, and education is the base in which talents and science and technology are cultivated and developed. We say that national strength is a contest. Besides a contest of economic strength, it is also a contest, in quantity and quality, of the standard of education, of talents, and of the level of scientific and technological advancement. It is a contest of the wisdom and creativity of the nation. How many teachers, engineers, doctors, technicians, managers, and other specialists a country has, how high the average level of education of its citizens, and how good the quality of its people reflect the country's strength. Today, we have made the correct strategic decisions, but we still lack solid policies and measures, or what measures we have are still uncoordinated, and this has hampered or delayed the implementation of policies. The responsibility still lies with the leadership. 2) The guiding ideology has always separated education from economics. Some people believe that we must have economic development before we have the money to work on education, that education is a consumption-type investment, and that education is too slow in producing results. We must change those concepts today. We must make investing in education, in the talented, and in professional training an integral part of economic development. Investing in education is investing in productive forces; it is a productive-type investment in economic development. We must firmly establish this kind of thinking. 3) Most of us would agree that China's socioeconomic development has been uneven. It is reasonable to assume that, if we recognize the imbalance, we would acknowledge the need for diversification in education; yet we have always insisted on unity. In recent years, improvements have been made to use diverse methods, multiple channels, and different specifications to run schools, but effective measures are lacking and uncoordinated, and relevant

education legislations are absent. Adult education, continuing education, professional-technical education, televised instruction, correspondence schools, teacher training, and other civilian-run education have yet to be developed and perfected. They involve many policy issues regarding overall planning, teacher training, funding, teaching materials, curriculum, teaching methods, evaluation, and employment opportunities. They should be gradually resolved in our education reform. 4) Our old guiding ideology on education tends to ignore the theory, study, and philosophy of education, and there is no place to run innovative reform experiments with the kindergartens, elementary schools, middle schools, and universities and other types of schools. China is rich in educational ideologies and tradition, and we can also learn from the experiences of other countries. It is imperative that we learn from the old and create something new that suits the development of China's socialist educational undertaking. It is not a permanent solution to worry only about practical, political needs without establishing basic, long-term educational theories. If, to develop the economy, we must comply with the objective law of economics, then to develop education we must also comply with the objective law of education and spiritual labor. Only in this way can we adapt to the new situation and solve the new problems. 5) There is also a guiding ideology for strategic decisionmaking in education, and, that is, when we study our overall educational plan, we must consider the developmental trends in education, culture, and science and technology which we will be facing in the 21st century. "It takes a hundred years to rear people"—education is a great undertaking; we must have the foresight of a hundred years. The 21st century will be a century of grand international economic and cultural exchanges. It will be a century of great scientific and technological and educational development. There will be many scientific and specialized issues that will require serious and systematic studies. This is a long and involved topic, and we should list it as one of the major themes in the general guiding ideology of China's education reform. I hope that at the next CPC plenary session we will have a special meeting to discuss the education issue.

When it comes to the failures of education, mistakes have been made not just in the last 10 years but in the last 40 years. How to reform education, how to treat the intellectuals decently, and how to sum up and learn from past experiences are still questions that urgently need answers. We must truly believe that most intellectuals do sincerely and heartily support the party and want to follow the party and walk the socialist road. This is a new road, and everybody is trying to make it a better road and wants to see it develop faster and become even better.

Tao Dayong: Today's symposium has been very exciting. You have explored the failures of education in different areas. You have exchanged knowledge and experiences and have attracted people's attention to this area. This is an issue that concerns the fate of the country and her

people. We must continue to probe deeply into this issue. I hope you will contribute more articles and discuss the issues through this journal. Thank you.

Future of Intellectuals Analyzed

900N0105A Hong Kong CHING PAO [THE MIRROR] in Chinese No 146, Sep 89

[Article by Hsing Ti (6580 6611): "The Plight and Ultimate Fate of China's Intellectuals—After 'Quelling the Turmoil,' Beijing Began To Purge the Ranks of Its Ideological Leadership, and the First To Be Affected Was the Press. Shakeups Occurred One After Another in Television, Radio, Publishing, and the Worlds of Literature and Art. And Why Has Wang Meng (3769 5536), Who Went From Writer to Minister, Been Removed From the Post of Secretary of the Leading Party Group in the Ministry of Culture? Particularly Astonishing Is..."]

[Text] As far as China's intellectuals are concerned, 1989 has been a troubled year. What is the plight and the ultimate fate of intellectuals, who early in the year submitted a joint letter demanding special amnesty, and then took part in the accompanying massive student strike and even the following "turmoil" and "rebellion"? Has the CPC's policy toward intellectuals changed? These are questions of utmost concern to every sector of society, particularly to the intellectuals themselves.

The Press Was First Affected

After "quelling the turmoil," Beijing began to purge the ranks of its ideological leadership. It was that portion of the press and broadcast media which authorities felt had made the mistake of "guiding public opinion" during the student strike and turmoil, and which had played a role in fanning the flames of unrest, that felt the brunt of this purge.

It has become public knowledge that RENMIN RIBAO, GUANGMING RIBAO, and KEJI RIBAO [SCIENCE AND TECHNOLOGY DAILY] all changed editors in chief, and an investigation and shakeup of press ranks is now underway.

The CPC has consistently emphasized the mouthpiece function of the press and mass media. No voice that runs counter to CPC policies can appear in periodicals and magazines or on radio and television. However, on the issue of press reform it is said that in recent years some individuals, adopting the Western view of the press, have sought "freedom of the press" and advocated that we ignore or even deny this function. During the student strike and "turmoil" just past, many posters and slogans demanding "freedom of the press" appeared, and reporting on these constituted the error of guiding public opinion. Recently the authorities have demanded that the news world reverse its thinking on this point. Wu Lengxi [0702 0397 6007], CPPCC [Chinese People's Political Consultative Conference] Standing Committee member and senior journalist, has published an article

expressing his view of the above issue, in which he reemphasizes the principle of party spirit in the news and the role of the news media as mouthpiece for the party. Speaking at a symposium, Shao Huaze [6730 5478 3419], newly appointed editor in chief of RENMIN RIBAO, said that, in essence, the controversy over press reform in recent years has actually centered on the issue of whether we should uphold the four fundamental principles or implement bourgeois liberalization. He stressed that we must rely on the four fundamental principles as we institute press reform.

The tempest that occurred at the end of last spring left the news world with much food for thought, and the deliberation is far from over. In this regard Professor Xu Zhen [1776 7201], president of the School of Journalism at Fudan University, has pointed out that colleges must send politically "trustworthy, talented people" into the news media. In 1987 his two younger brothers argued heatedly in Singapore's Asia University Students' Debating Club, and emerged victorious, attracting a great deal of attention. But during the recent student unrest one of them withdrew from party membership and the other announced that he would never join the party. Xu Zhen believes that "trustworthy, talented people" must first and foremost be politically superior and be able to maintain the correct political orientation, and they must be capable of conscientiously acting as the ears, the eyes, and the voice of the party in their future jobs.

Although news reports are now getting back on the right track again, professionals in the business feel disquieted, particularly those young editors and reporters who have been in the field only a short time.

Right now the CPC is once again advocating a political orientation in which journalism must serve the people and socialism, and it is criticizing Western news perspectives of every stripe. The CPC has decided to enhance education for news personnel in the areas of journalistic theory and professional ethics, and to train an ethical, idealistic, educated, and disciplined journalistic contingent.

Overhauling the Education Market

After "quelling the rebellion" the authorities began to overhaul leadership in the publishing and education fields.

As far as publishing on the mainland is concerned, within a short period of time, books and periodicals advocating bourgeois liberalization or exaggerating murder, violence, pornography, and feudal superstitions flooded the market. This has had an extremely detrimental effect on society.

Now the authorities are vigorously overhauling the books and periodicals market. On 24 August they convened a telephone conference to arrange a nationwide "cleanup" campaign. Books by explicitly forbidden authors Fang Lizhi [2455 0536 0037], Yen Jiaqi [0917 1367 0366], Dai Qing [2071 2532], and Su Xiaokang [5685 2556 1660] have already disappeared from the

bookshops. The *Biography of Zhao Ziyang* has also been banned, but certain illicit publishing houses are still distributing this through underground channels.

Song Muwen [1345 2606 2429], who took over for Du Daozheng [2629 1418 2973] as head of the Office of Journalism and Publishing, recently pointed out that, in addition to overhauling the book, periodical, audio, and video markets and eliminating all kinds of illegal, reactionary, or politically seriously misguided published works, as well as any that promote pornography, violence, or feudal superstition, at the same time the country should conclusively address the sources of pollution and work vigorously to reorganize periodical and publishing units. It should also carry out essential retrenchment and do what is necessary to replenish and readjust the leadership in certain sectors.

As these events were going on, nearly 20,000 kinds of published works, concentrating and revealing the past 10 years worth of achievements in publishing reform, were on display at the second National Book Exhibition being held in Beijing. According to press reports, *The Collected Works of Marx and Engels*, *The Collected Works of Chinese Fine Art*, and the *Chinese Translations Series of Works by Famous International Scholars*, particularly attracted attention. By way of comparison with street corner bookshops, Song Muwen pointed out that "The publishing industry's achievements and prosperity and the avalanche of low-class, vulgar works are two hard-to-ignore aspects."

Recently Li Ruihuan [2621 3843 3883], secretary of the Secretariat and of the Political Bureau of the Chinese Communist Party Central Committee, who is responsible for ideological leadership, pointed out that China must resolutely oppose bourgeois liberalization, unequivocally clean up decadence, and purify the socialist environment, but it must also encourage literature and art to thrive and enrich the cultural lives of the masses.

After this "drama fan" assumed office he vigorously supported and propagated Chinese cultural traditions and fostered traditional Chinese arts. As a result, television stations are broadcasting a lot more local operas and revolutionary songs, and the program *An Hour of American Music*, which had been on the air for more than a year, has been replaced by national music. This prompts sighs of despair from many young people who love foreign movies and rock and roll music.

Why Has Wang Meng Been Removed From Office?

In sharp contrast to the "passion for the program *River Elegy*," that existed at this time last year, this summer the mainland criticized the enthusiasm over *River Elegy*. One after another, every major periodical carried a critical article on this subject, and ZHONGGUO JIAOYU BAO [CHINA EDUCATION NEWS] convened a special symposium and used several special editions to discuss this television program. Beginning on 8 August, BEIJING WANBAO began a special column called "The Hundred Fallacies of 'River Elegy,'" written by expert scholars from various fields, which criticizes this product of "the worship

of Western civilization and the revilement of Chinese culture." The content of this criticism not only pointed out the political issues, it also dealt with certain factual historical inaccuracies. This critical campaign was conducted on a scale rarely seen in recent years.

As for literary and artistic expression, some authors have already been accused of being influenced by bourgeois liberalization, exaggerating matters all out of proportion, and propagating wholesale Western viewpoints in their literary works.

Right now Wang Meng, who went from author to minister, is a subject of much concern.

At the beginning of the 1980's this author, who has been called "a renegade of modern literature, unwilling to conform to convention," used the "stream of consciousness" method to create a body of work including *Song of Spring*, *Ribbons on a Kite*, and *Butterfly*. He created an uproar in literary circles and sparked numerous disputes. Many readers complained that these works were "unreadable," and some even felt that they were "literary decadence." In 1986 Wang Meng became Minister of Culture. Thereafter, he did not stop writing and his works continued to be published. His short story called *The Art of Lecturing*, in particular, gained considerable fame among his contemporaries. This short story told of a nation in which speechmaking was held in high esteem. One day the old king suddenly became ill, and the queen selected five of the most excellent students previously victorious in speechmaking, and invited them individually to deliver speeches to the king to speed his recovery. Of these five speakers, one was loyal to orthodox ways, one faced life squarely, one was modernistic, one was courageous and open, and one was deep and mysterious. Later, the king recovered and the court and the public celebrated together. Naturally these five famous speakers each won a reward.

After this short story was published certain highly placed people in the CPC felt that it contained certain kinds of innuendos, and expressed their extreme resentment of it. Moreover, Wang Meng was the only minister who did not declare his sympathy with the martial law troops. His political future is naturally a matter of concern.

At the beginning of August the former deputy director of the CPC Central Committee Propaganda Department, poet He Jingzhi [6320 2417 0037] replaced Wang Meng as secretary of the leading party group in the Ministry of Culture. As for Wang Meng's post as minister of culture, we still have not heard what reorganization has taken place. It is said that Wang Meng, because of poor health, is not now in Beijing, but rather is recuperating someplace in Shandong.

Is the Policy Toward Intellectuals Likely To Change?

Opinions vary on what the fate of intellectuals will be. Some people say that "intellectuals are untrustworthy," or that "in the past we have raised the intellectuals on too high a pedestal." Even more are worried that perhaps

the intellectual issue will lead China to resurrect the "leftist" methods of the past.

After the 4th Plenary Session of the 13th CPC Central Committee, high levels of the CPC repeatedly reaffirmed that policies toward intellectuals had not and would not change. Only a very small minority of intellectuals are enemies of the party and the people, they said, and they do not represent most intellectuals. It is absolutely essential, and is in the best interests of the broad masses of workers, peasants, and intellectuals, to punish according to law those who are enemies of the party and the people.

From certain recent actions it is apparent that the CPC is trying hard to win over the intellectuals, confirming their important role in the four modernizations.

In August of 1989, after noted scientist Qian Xuesen [6929 1331 2773] won the "Rockwell Junior" Medal and the honor of being designated a "noted world-class scientist and engineer," and an "honorary member of the International Engineering Research Institute," Jiang Zemin, CPC Central Committee general secretary, and Premier Li Peng met with him and tendered their congratulations.

Historically, it has not been rare for Chinese scientists, writers, and artists to win international honors, but this is the first time China's highest leaders have paid a visit to someone like Qian Xuesen. During this visit, Li Peng said that in the process of building the four modernizations we must rely on the working class, but we must also fully develop the role of the intellectual. He said that at the beginning of the 1950's Qian Xuesen broke through all barriers, resolutely returned to China, and concentrated on demonstrating the brilliant quality of Chinese intellectuals. This, he said, is patriotism and love for the party and the people. Without a doubt, with these words Li Peng was setting up Qian Xuesen as an example to encourage overseas intellectuals who have not returned to China to follow his example.

The Central Television Station has also broadcast the full-length television series *Love of the Republic*, which pays tribute to intellectuals. This television program reproduces for viewers how Chinese intellectuals established pioneering efforts on the ruins that existed when the PRC was established, and by the 1960's and 1970's had moved to the forefront of world science and technology. It also chronicles the successes achieved since reform and deregulation in China, portraying a host of current and deceased intellectuals.

All of these things reflect the pains the CPC is taking to deal with the issue of intellectuals.

Cultural Activities 'Thriving' in Past Year

OW2612050189 Beijing XINHUA in English
0246 GMT 26 Dec 89

[Text] Beijing, December 26 (XINHUA)—Throughout 1989, especially in the latter half of the year, cultural activities in China have been thriving.

The Second Arts Festival of China, on an unprecedented scale, was appropriate to the 40th anniversary of the founding of the People's Republic of China. Five thousand artists of 56 nationalities gathered in Beijing and gave nearly 200 performances. Simultaneously, related entertainments were going on in 12 other parts of the country.

These performances included traditional Chinese opera, music, and acrobatics, as well as symphony concerts, ballet, Western opera, and modern drama. Foreign artists, including the Bolshoy ballet of the Soviet Union and musicians and dancers from the Democratic People's Republic of Korea and Italy, added exotic touches to the arts festival.

As part of the Second Arts Festival, more than 3,300 works of art were on show at the Seventh National Fine Arts Exhibition.

The First Film Festival of China, held on the eve of National Day, displayed 40 productions and the First Photographic Festival of China featuring large-scale exhibitions, the "Fifth International Photographic Exhibition", "Photography Over 40 Years" and "Lovely China" attracted large numbers of viewers.

The underlying philosophy of the artistic activities is the continued implementation of the "hundred flower" policy in the cultural field while opposing bourgeois liberalization.

In the first two months of a nationwide anti-pornography drive which started earlier this year, the nation wiped out 30 million pornographic publications, 400,000 obscene video and audio tapes, and 300 dens engaged in pornographic publications.

Meanwhile, books with good academic and artistic quality now enjoy a better market. At the Second National Book Fair held in Beijing, nearly 40,000 titles were displayed, and sales surpassed expectations.

Open policies in the cultural field have been continued. As Li Ruihuan, a member of the Standing Committee of the Political Bureau of the Central Committee of the Chinese Communist Party, pointed out, opposition to pornography does not mean that China will stop introducing good things from abroad; on the contrary, China will continue its cultural exchanges with foreign countries.

At the Third International Video and Audio Cassette Tape Fair held in Beijing in October, 15,000 tapes from 13 countries were displayed, and many were sold.

Other international artistic exchanges in the latter half of the year included: the Beijing International Television Review, the Shanghai International Scientific Film Festival, the Wujiao International Acrobatic Festival, the Shanghai International Stage Design Festival, and visits by artists from dozens of countries, including the United States, Britain, Japan and the Soviet Union.

Urban Anthropology Conference Opens in Beijing

OW2912005989 Beijing XINHUA in English
1449 GMT 28 Dec 89

[Text] Beijing, December 28 (XINHUA)—The long history, massive size and continuous cultural tradition of China's cities make China the best location for the first international urban anthropology conference which opened here today.

More than 50 scholars from nine countries and regions in Asia, Europe and America will probe the theory of urban anthropology, compare city styles in China with those in other countries, urban multi-nationalization, and urban population development and social problems.

Chinese scholars believe the conference will enhance China's anthropology research which is just in the preliminary stage.

In comparison with developed countries, China is not highly urbanized. Its urban population is 300 million, 27.7 percent of the total population. The world average in 1983 was 44 percent.

Over the past 40 years China's urban population increased 2.5 times. There are now 432 cities, 28 of which have populations of over one million, and 30 have populations of a half to one million. Almost all the cities are multi-ethnic.

Hu Sheng, president of the Chinese Academy of Social Sciences, said that urban anthropology, as a newly-developing subject, should take cities in ethnic areas, ethnic cultures, and relations between the Han nationality and minority nationalities as its top research subjects.

He said that since most of China's 300 million urban residents are Han nationality, urban anthropology should research the Han nationality, and it will do good to further research into ethnic culture.

According to common practice, Chinese anthropologists used to study ethnic minorities only. Hu's proposal will help include the study of the Han nationality culture in the research program.

'Deceitful Tricks' of Economic Criminals

90ON0204A Beijing JINGJI CANKAO in Chinese
5 Nov 89 p 4

[Article by Huo Yingjin (7202 3602 6855): "Economic Swindlers, Their Deceitful Tricks and Ways of Dealing With Them Discussed"]

[Excerpt] [Passage omitted] First, the trick of deception by name: this is to set up an economic organization by joining up in the form of partnerships. Organizations that in the recent past were called "companies" or "centers" are now jokingly called "briefcase companies." In these past few years the state purified and rectified companies on three occasions; some people

immediately met the emergency, replacing those with "service stations," "managing departments," "service offices," "markets," or "commercial firms," and so on. Regardless of what they are called, the name of the shop is always characterized by reference to size, but is, in reality, void of content, with deception as the objective.

Large: The name is large, the name of the shop is large. Distinguishing these requires looking at the whole name, paying special attention to the first part of the name. These generally will all be preceded by the name of an administrative division.

Feign: They feign legitimacy. Briefcase organizations' administrative constitutions, professional and financial documents, contractual documents, are all big. They print their own contract paper, stationery, envelopes, letters of introduction, calling cards, and so on. These articles, just like bait, lure the "fish" onto the hook.

Empty: Just as empty as their names, these organizations lack funds, lack a place to do business, and lack qualified management personnel. The funds registered on their business licenses are borrowed from others; once the license is received, the funds are easily returned, retaining just a few yuan in the accounts. Their business offices are rented, so they can leave or move if they want.

Deception: The objective is to make money through swindling. They gain their pay by deducting a certain percentage of the funds they take in through swindling, and call it by the fine-sounding name of benefit wages. Because the amount they gain is determined by how much they cheat, cheating is maximized.

Second, the tactic of signing agreements: An important method for swindlers is through the use of a signed purchase contract.

Some underhanded methods commonly seen with contractual documents are:

1. The unit and the unit price: Use a large unit, write a price for a small unit. If the unit used is the ton, the unit price written down is for the kilogram; if the unit is the case, then the unit price written is per bottle. The total payment is not put in writing, making it easier to force the other party to cave in when settling accounts.

2. Letter and telegram: Fraudulently using the mail and telegram to notify the other party that there is some contractual problem—that they still have not received a reply, that they are looking at the other side's offerings, or investigating their responsibility.

3. Signing a series of contracts to trump up a charge: A fraudulent contract is concluded with a third party for supplying goods, violating the funding in the contract by writing in a high set price. Because the second party has still not fulfilled its contract, the contract with the third party cannot be fulfilled, so payment for damages is demanded from the third party.

4. Variety and style: It is demanded that a somewhat excessive quantity be written and a bit overly detailed, the time to produce the goods be set a bit early, and the method of settling accounts and ascertaining responsibility for contractual violations be written somewhat ambiguously. This is done to set up laying the blame on the other side should a dispute arise.

Third, the tactic of procrastinating in payments: Once the contract is signed and payment is in hand, they immediately change locale and conceal themselves, the easier to carry out the ruse of being in arrears:

1. Someone is away: When the other party comes to discuss a debt, the person on duty will dodge this on the pretext that the other person is not familiar with the situation, or else the accountant or some other important person is not there, making it difficult to transact the procedures of settling the account, procrastinating.

2. Out of funds: Falsely stating that they are currently out of funds, and request a delay in payment, to attain the objective of getting out of paying a debt when one is in arrears.

3. Out of goods: When the other party proposes that goods be returned, falsely state that all the goods have been disposed of, with no way of recalling them, so all must wait for a third party to make payment, at which time the other party will be paid. The objective is to avoid payment when one is in arrears.

Fourth, the tactic of nitpicking: Find fault with the other side, concentrating on the quantity, quality, variety, and specifications of their merchandise. Say that the quantity is insufficient, the quality and samples do not tally, the variety specified and delivery time are not in accord with

the contract. If the other side has a problem, the tricksters can seize this and not let go, attempting to get the other side in serious trouble. But the point is that the tricksters have no intention of fulfilling their agreement, so they trump up a countercharge against the other side. The object is to avoid payments and defraud the other side of money and property.

Fifth, the tactic of changing hands: By this is meant changing the trade name of goods, or changing the enterprise's name, its address, and the people in charge. After the tricksters have a considerable amount of property in hand, they know that it will not be easy to continue at the original address without the approval of responsible departments and enterprise registration organizations, privately passing over whole sets of procedures and departmental property, making it extremely difficult for creditors and law enforcement organizations to investigate.

Sixth, the tactic of equalizing goods with payment: Many creditors demanding debt payment are, in general, from other parts of the country. The tricksters make an issue of their own location's geographical superiority, of the psychological characteristics of the other side's eagerness for repayment, and use such delaying tactics as saying that what is rich is poor, what is poor is near collapse, pressuring the other party into giving in. After that, they sell unsalable goods to the other party as if they were equal to higher-priced goods. They equate first-class goods with second, second-class goods with third, third-class goods with first; and they get rich this way.

Economic tricksters in the area of commodity circulation are like a pestilence: They harm the body of society by duping some enterprises through trickery. Therefore, before we can regain good procedures for commodity circulation we must adopt powerful measures and effective policies. [Passage omitted]

Commemorating Liberation of Southwest

90ON0172A Chengdu SICHUAN RIBAO in Chinese
27 Sep 89 pp 3-4

[Article by Wan Haifeng (8001 3189 1496), Chengdu Military Region political commissar: "Carry on the Revolutionary Spirit of Bitter Struggle—In Commemoration of the 40th Anniversary of the Founding of the Nation and the Liberation of the Southwest"]

[Excerpts] This year marks the 40th anniversary of the founding of the People's Republic of China, and it also the 40th anniversary of the liberation of the southwest.

Every ethnic group in our nation will for generations commemorate 1 October 1949 as a day of jubilation. On that day the chairman of the central people's government, Mao Zedong, announced solemnly to the world that the People's Republic of China had been founded! Following upon the October Revolution in Russia, this was another important historical event in the history of the international communist movement. It was an event of deep and long-lasting historical and worldwide significance. Although we have traveled a tortuous path in the last 40 years, the attainments of socialist reconstruction have drawn worldwide attention, winning unprecedented prestige in the contemporary international community. Our republic's flag flies all the higher and brighter since we put a stop to the unrest and quelled the counterrevolutionary rebellion. The various ethnic groups throughout the nation are confidently carrying through on the spirit of the 4th Plenary Session of the 13th CPC Central Committee to seize new victories in the struggle for socialist modernization and reconstruction. Against this backdrop, our celebration of this glorious holiday, the 40th anniversary of the founding of the republic, takes on added significance.

No one will have forgotten that, while the cannon salutes thundered during the ceremony for the republic's founding, gunsmoke from the war of liberation hung over northwestern and southern China, and the southwest was still under the dark rule of Chiang Kai-shek. On 12 October, a large contingent of our forces moved south and pressured Guangzhou, whereupon the Kuomintang (KMT) moved its capital to Chongqing, attempting to put up a last desperate fight in the southwest. In order to thoroughly destroy the reactionary regime of Chiang Kai-shek on the mainland, liquidate the remnants of the KMT army, and liberate all of China, the main body of the 2d Field Army, as well as its 18th Army Group, and one unit each from the 1st and 4th Field Armies, marched from all directions into the southwest and liberated it in accordance with the Central Military Commission's "Program for a Military Conquest of the Entire Country." This was accomplished under the command of Liu Bochong [0491 0130 2110], Deng Xiaoping, and He Long [6320 7893]. As the entire nation celebrates the 40th anniversary of the founding of our nation, we also come upon the 40th anniversary of the liberation of the southwest. For the broad masses and the soldiers of

the southwest, this is truly an occasion of "double happiness," and everyone feels excited and moved.

The liberation of the southwest was a great historical event following the founding of the republic. All the officers and men who participated in this campaign used their blood, sweat, and lives to write a glorious page in the history of the liberation of all the people. They achieved countless heroic feats of bitter struggle that inspire one to sing praise and move one to shed tears. They created a valuable store of spiritual wealth which encouraged us to move forward. As we celebrate the 40th anniversaries of the founding of the republic and the liberation of the southwest, we must earnestly learn a lesson from their willingness to carry out the revolution thoroughly and to give up their lives. We must continually carry forward the task of socialist reconstruction. [passage omitted]

It has been 40 years since the campaign to liberate the southwest, but the glorious achievements and spiritual wealth which the broad masses of officers and men created through bitter struggle will forever live on in our hearts and serve as a strong encouragement for people to move forward. The victory in the Southwest Campaign proved once more that the revolutionary tradition of bitter struggle is the spiritual support that enables us to defeat our enemies and rule the nation and is a huge spiritual force that will reinvigorate the Chinese people. During the bitter war years, it was precisely this spiritual encouragement that enabled countless revolutionaries to fight courageously for the freedom and liberation of the Chinese people. When one man fell, another would take his place, and so they seized victory for the new democratic revolution. Today, the nation has entered a new historical period of socialist reconstruction. Along the road of the four modernizations, we are facing some difficulties that are even more complex than those of the war years. In order to overcome serious obstacles to progress and achieve great success in our endeavor at an early date, the entire party and all the people in our nation still need to carry forward the spirit of bitter struggle, hard work, and self-reliance.

Above all, we must implant a belief in bitter struggle firmly in people's minds. This belief must never waver. It is incorrect to think that bitter struggle was a sort of spirit that was promoted only during the war years or during periods of hardship, and that is now inappropriate for the times or is somehow out of date. The essence of the spirit of bitter struggle lies in the fact that it is a manifestation of the character that is required of the party and the People's Liberation Army. It carries on the traditional Chinese working people's virtues of hard work and simple living, and it is a crystallization of the best of the proud, independent, and self-reliant spirit of the Chinese people. The content and demands of this spirit may undergo change in different historical periods as surroundings, conditions, and tasks change, but its essence cannot change. This means that the spirit of bitter struggle can never be out of date. It has a necessary, intrinsic link with the party in the revolutionary

MILITARY, PUBLIC SECURITY

endeavor of every historical period. Currently, our nation is still in the beginning stages of socialism. The four modernizations, which are being led by the party, are difficult, but great. The responsibility is heavy and the struggle long. Every comrade who is dedicated to the revolution and reconstruction must have a spirit of self-reliance, a spirit of aggressively seeking improvement and development in new areas, a spirit that moves him to reach energetically for something better, a spirit of examining all things thoroughly, a spirit of dedication and brave willingness to sacrifice, and a spirit of giving one's all to push aside all obstacles. This is what is needed to continually push forward socialist reconstruction. Above all, belief in bitter struggle by the people's Army cannot waver. This is dictated by the function that our Army serves. The Army has always borne the sacred responsibility of defending and reconstructing the fatherland. It must be prepared at all times to fight in battle and carry out special tasks. This requires that every soldier fear no hardship and be "willing to make the first sacrifice." Only in this way will we charge bravely forward on the battlefield while resisting foreign invasions, stride bravely into battle when the lives and property of the state and the people are in danger, give selfless dedication when protecting the interests of the party, the republic, and the people, and develop new areas and fight to improve our lot in the course of the four modernizations. Only in this way will we forever preserve the political character of the people's Army.

If we are to firmly implant belief in bitter struggle in people's minds, one important thing we must do is to make it an important part of our political and ideological work to educate people about bitter struggle and bitter simplicity. We must firmly grasp this task and never let up. In our education work, we must clearly explain conditions in China and we must focus on increasing and developing self-reliance and hard work to make people be understanding and forgiving of the state in its present difficult circumstances. We must prepare them ideologically to "spend several hard years." In their daily lives, people must be hard-working and thrifty. On the job, they must use diligence and wisdom to create more material and spiritual wealth for society.

The people pay attention to practical matters. We must carry out a campaign of education on the spirit of bitter struggle which has persuasive power. Leaders at every level

must personify our principles and truly manifest them through concrete action. The facts show that the actions of leading cadres not only exert a large influence upon all of society, but also directly produce positive social results because of the jobs and power they possess. In the early 1960's, China experienced 3 years of economic hardship. The situation was very serious, but the masses saw how cadres at every level blazed the trail of bitter struggle by dressing simply and eating as little as possible, so they were happy to weather the storm along with the party, and the difficult times quickly passed. But in recent years the practice of bitter struggle in society has grown rarer every day. Decadence has appeared, including such phenomena as excessive eating, drinking, and other enjoyments, luxury and waste, and corruption and bribe-taking. This is closely related to the fact that some leading cadres have been competing to see who can acquire the greatest material comforts and control the most power. With reform and opening up and the development of the commodity economy, a small minority of weak-willed leading cadres have not been able to withstand the corrosive effects of decadent bourgeois thinking. They have become greedy and have begun to disregard the law, walking into a swamp of decadence and baseness. The fact that they had discarded the revolutionary spirit of bitter struggle is related directly to these phenomena. Both the positive and negative lessons we have learned tell us that if our leading cadres at every level lead the way in carrying out bitter struggle, handle affairs with an eye to the public welfare, maintain personal integrity, resist bribes, and present the image of a public servant to the people, they will win the people's esteem and trust. Raising their own prestige and working for an improvement of prevailing practices in the party, the military, and the society as a whole, will help to overcome the corruption which is so odious to the people, and it will help leaders to exercise leadership during the process of reform and opening up. The higher the position of any given leading cadre, the more that person must demonstrate the spirit of bitter struggle. In this manner, those at one level will spur on and carry forward those at the next, and the revolutionary tradition of bitter struggle in the party and the military will certainly be passed on from generation to generation and will be carried forward brilliantly. Our long-term goals of reconstruction and the four modernizations and the revitalization of China will certainly be achieved.

May the revolutionary spirit of bitter struggle forever illuminate the world!

EAST REGION

Nanjing Hosts Forum on Clean Government

OW3012054889 Nanjing Jiangsu Provincial Service
in Mandarin 1015 GMT 22 Dec 89

[Text] The provincial department of supervision, the provincial association of administrative management, and the provincial association of political science jointly sponsored a theoretical forum in Nanjing from 14 to 16 December on building a clean government. Comrades from theoretical circles and people who work in different departments submitted 40 theses at the forum. They provided useful suggestions concerning the issues of cracking down on corruption and building a clean government.

Jiangsu Prepares for Provincial Party Congress

OW2212000789 Nanjing Jiangsu Provincial Service
in Mandarin 1015 GMT 19 Dec 89

[By reporter Wang Yunsheng; from the "News" program]

[Text] The Eighth Jiangsu Provincial CPC Congress held a preparatory meeting this afternoon. Comrade Sun Jiazheng presided over the meeting.

At the request of the Standing Committee of the seventh provincial party committee, Comrade Han Peixin made a brief report on the preparations made for the congress. He also made some suggestions as to how to make the congress a success.

Comrade Han Peixin pointed out that the main purpose of the coming congress is to further study and implement the guidelines of the 4th and 5th Plenary Sessions of the 13th CPC Central Committee and, under the guidance of the party's basic line, to rally together all party members, as well as the masses, throughout the province to further consolidate and foster political stability and unity, carry through the drive of economic retrenchment and rectification and reform, and march bravely toward the grand goals for the end of the century.

Comrade Han Peixin stressed that no efforts should be spared to ensure that the congress will be a solemn, simple, united, democratic, and practical one and that it will serve as a model for other future meetings to be held in the province at various levels.

The preparatory meeting passed the agenda for the congress, the namelist of the presidium and secretary general of the congress, and the namelist of the committee examining qualifications of delegates to the congress.

Shandong CYL Committee Ends Plenary Session

SK0201035490 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 28 Dec 89

[Text] The 3-day fourth enlarged plenary session of the Eighth Shandong Provincial Communist Youth League [CYL] committee ended in Jinan on 28 December.

The session summed up the 1989 provincial CYL work and made arrangements for next year's work. Participants at the session held that during next year, the guidelines and basic requirements of the provincial CYL work are to consider the implementation of the spirit of the third session of the fifth provincial party committee and of the second session of the 12th national CYL committee as the guidelines, to actively strengthen CYL ideological and political work, comprehensively and systematically to strengthen the building of the CYL, to further improve the external environment for the growth of youths and the CYL work, to lead youths to engage in arduous struggle and make contributions. In this connection, we should manage well the five aspects of work. First, we should proceed from three types of education, and realistically and effectively strengthen CYL ideological and political work. Second, we should learn from the Lei Feng spirit, foster new habits, behave as culturally advanced youths, extensively, deeply, and enduringly carry out practical activities in socialist spiritual civilization construction. Third, we should vie to be shock workers of the new long march, lead youth to make contributions to improvement, rectification, and deepening of reform. Fourth, we should aim at cultivating people of a new socialist type with ideals, ethics, culture, and a sense of discipline, and further strengthen the CYL school work. Fifth, we should consider implementation of the provincial conference on building CYL organs as our definite view, comprehensively and systematically strengthen the self-cultivation of CYL organs, and take active and reliable steps in promoting the CYL structural reform. [passage indistinct]

Ma Zhongchen, deputy secretary of the provincial party committee, attended and addressed the session. He expressed hope that the broad masses of youths throughout the province would use the guidelines of the 5th Plenary Session to unify ideological understanding, correctly understand our province's situation, particularly the economic situation, recognize both difficulties and our bright future, enhance confidence, and strengthen courage. He also said that CYL organizations at all levels should lead youths to clearly understand their responsibilities, enhance spirit, display their high level of historical initiative and creativity, and make due contributions to successfully fulfilling all tasks put forward by the third session of the fifth provincial party committee, stabilizing and developing a stable and united political situation in our province, maintaining a sustained, steady, and coordinated national economic development in our province, and safeguarding social stability. He also hoped that party committees and governments at all levels would realistically strengthen

the party's leadership over the CYL work with the foresight, sagacity, and broad-mindedness of a communist.

In line with the stipulations of CYL regulations and the changes in CYL cadres, the session also affirmed that seven comrades who had already left CYL posts would also be exempted from duty as members or alternate members of the provincial CYL committee. In addition, four alternate members were chosen to fill the vacancies and to serve as members of the provincial CYL committee.

Shanghai Party Officials Attend Party Building Meeting

OW3012110189 Shanghai City Service in Mandarin
1000 GMT 22 Dec 89

[Text] ZUZH RENSHI BAO [ORGANIZATION AND PERSONNEL NEWS] today held a reporting meeting on strengthening party building and a meeting on awarding winners of the "Song of Pioneers" essay contest at the Literary and Art Hall.

Some leading comrades of Shanghai Municipality attended the meeting. They included Zhao Qizheng, member of the Standing Committee and head of the Organization Department of the Shanghai Municipal CPC Committee; Luo Shiqian, deputy head of the Organization Department; and Gong Xinhan, deputy head of the Propaganda Department of the Municipal Party Committee. The leading comrades issued certificates of merit to 18 winners of the contest. Comrade Zhao Qizheng delivered a report on strengthening party building.

The "Song of Pioneers" essay contest was supported by the vast number of party organizations and party members. It has published 36 articles on advanced deeds of some communists, party, government, and enterprise cadres, and intellectuals on various fronts. The contest has played a good role in promoting the party's ideological education and won the praise of the broad masses of party members and people.

CENTRAL-SOUTH REGION

Pressure Seen Mounting on Guangdong Dissidents

90ON0073A Hong Kong CHENG MING
[CONTENDING] in Chinese No 143, 1 Sep 89 pp 18-19

[Article by special correspondent Xiao Qong: "Guangdong After Large-Scale Pursuit, Arrests"]

[Text] Before August, the various popular movement figures apprehended in Guangdong were all said to be fugitives who fled to the south. Not one was native to Guangdong.

Since the beginning of August, however, circumstances have changed. A "cold gust" suddenly blew south, disturbing Guangdong's springtime pond. The Guangdong

Province public security units suddenly made open arrests and stopped popular movement figures.

In Guangdong Province, a knowledgeable person told this correspondent that, nationwide, the people of Guangdong are the ones who are most knowledgeable about popular movements and the suppression in Beijing—they know what's what. But they recently refused to be forced to go along with the distortions of truth in central documents (on the order of Zhen Xitong's "Peace and Disturbance Report"), which put them in a very uncomfortable frame of mind. According to him, after the 4 June incident, the Guangdong party committee, in order to reassure the public—in the early days people thought there could be civil war, with rice costing up to 3 RMB per catty—and not affect foreign commercial investments, sought to minimize the Beijing incident as far as possible and intensify antagonisms as little as possible, and for this reason did not pursue Beijing's unrestrained seizure of persons. However, this made the Beijing party committee very unhappy, and blame came down repeatedly, putting a great deal of pressure on the Guangdong party committee. It was against this background that the recent rash of arrests of popular movement figures took place in this province.

Students Arrested at Shenzhen, Jinan, Jongsan Universities

On 16 August, CHENG MING's broadcasting service reported that three students from Macau studying at Jinan University in Guangzhou were arrested within China. The news shocked both Macau and Hong Kong. These students were accused of participating in activities of the "underground railroad" to rescue mainland popular movement figures. According to this line of thought, they were not considered to be participants in the student movement, but they suffered retribution after autumn came for being in this category. However, when six students were recently subjected to arrests at Shenzhen University, all the arrests were for participation in the student movement, which had been said to be impossible. Accounts were being settled in the fall.

After the 4 June incident, the president's council of Shenzhen University was called before the Shenzhen city committee to explain the issue of the upheaval at Shenzhen University. At that time, the news was put out that the municipal committee was satisfied with the explanation of the president of Shenzhen University, and the entire faculty of the university let out a sigh of relief. Soon afterward, however, there was a sudden change in the situation. The president of Shenzhen University was suddenly dismissed and put under house arrest and six more students were arrested in succession, putting Shenzhen University in a state of anxiety and extreme alarm.

A Shenzhen City cadre said to this correspondent that this series of events was implemented on the spur of the moment. The Shenzhen municipal committee was willing to help, but unable to do anything; even the Guangdong party bureau was utterly helpless. According

to what he divulged, the six Shenzhen University students recently arrested had gone to Beijing during the period of upheaval and had engaged in activities with Beijing students. Yet there was nothing out of the ordinary in these types of activities; no one could have conceived that they would result in arrest. So the sudden arrest of these six students was in large part without forethought.

Beijing Meddles in Standing Committee, Guangdong Public Security Bureau

There is also news of the recent arrest of a number of student leaders participating in the student movement in Jongsan University in Guangdong after they refused to voluntarily surrender themselves to the public security bureau.

In order to carry out the Guangdong arrests, the Ministry of State Security and Ministry of Public Security both sent people south to reinforce the leadership of the Guangdong public security forces. It is said that the Guangdong Province public security office recently called a meeting of all the province's public security commanders, at which a stern critique was held of the Zhuhai City public security bureau's failure to take precautions and a resolution was reached that, if there is a recurrence of the problem, the commander of the public security bureau will be relieved and prosecuted.

The above considerations provide us hope to believe allegations that Wuer Kaixi, Yen Jiaqi, and the others have left Zhuhai and fled to Macau, and that last month an especially large number of popular movement figures intended to leave Zhuhai and take the ferry to Macau secretly. That was Zhuhai's offense of "failure to take precautions." Some people doubt that the recent arrests of three Macau students at Jinan University have anything to do with this.

Shenzhen Arrests Commended

At that public security commanders' conference, Zhuhai received criticism and Shenzhen received commendation.

In Shenzhen, seacoast area residents were all informed that it was prohibited for anyone without business there to go near the seashore, especially Houhai Harbor of Shenzhen University and the Shekou industrial area across from Hong Kong. Young lovers used to like to go for slow strolls by the sea for intimate conversations, but after 4 June they were warned that going down by the sea in the evening could be dangerous.

A Shenzhen figure has divulged that the Shenzhen defense forces were kept in isolation last month like the martial law units that had entered Beijing earlier, not watching Hong Kong television, not listening to radio broadcasts from Hong Kong, Taiwan, and foreign countries, but reading only literature related to peace and disturbance, and watching film clips edited by the party bureau on the so-called "counterrevolutionary disturbances." These confined and controlled troops were thus faithful to the party Central

Committee and very malicious toward the people, especially young people and popular movement "suspects."

False Chai Lings Everywhere

Lists of the Shenzhen arrests all indicate that "Chai Ling" has been arrested, but this is totally false.

The names of student movement leaders you and I have hopes for, Wuer Kaixi, Wang Dan and Chai Ling, widely known among the people of Shenzhen before 4 June, have struck deeper roots in the hearts of the people after 4 June, and they enjoy the love, esteem, and sympathy of the Shenzhen people.

However, some degenerates seeking recognition and promotion exerted immense efforts to find and arrest popular movement figures fleeing south and went in hot pursuit of anyone slightly resembling a student leader. They were bent on making arrests with all dispatch. So, a few days after 4 June, Shenzhen announced the seizure of Wuer Kaixi, but this was proven to be false afterward; the one arrested only looks like Wuer Kaixi.

Shenzhen's news was very accurate. Wuer Kaixi succeeded in escaping, and Wang Dan was arrested. Public security personnel knew about it at the same time as the people of Hong Kong (thanks, of course, to Hong Kong releases). With no article to be done on Wang, I concentrated my efforts on Chai Ling. But the young woman was more difficult. Chai Ling was sought everywhere; Chai Ling was found everywhere. But they were all wrong. Below are two examples.

In the Shekou industrial area, a young woman who was a committee planner was stopped on the street by public security personnel one day because she resembled Chai Ling in facial appearance, and she wore her hair short. She was then brought in to the public security station. When she claimed that she was a committee planner in such-and-such a unit, the public security personnel did not believe her. When the leader of her unit found out and came to the public security post to request her release, the public security post did not consent to the release until that leader was willing to vouch for her and only then admitted that they had arrested her by mistake.

Border defense troops also arrested a "Chai Ling" one evening on the seashore at Shenzhen. She stated that she was a student at Shenzhen University and that she had gone to the seashore for a stroll. The troops did not believe her and wanted to take her away. Later, she said that there was a way to prove that she was not Chai Ling. She said that Chai Ling could not speak Cantonese, but she could. Only after she spoke a few sentences in Cantonese did the troops let her go. She is said to be a member of the cast of a television drama (*Dream of the Red Chamber*) presently in production at Shenzhen University.

Luo Zhengqi, Shenzhen Public Security Clash

As for Luo Zhengqi, president of Shenzhen University, shortly after the 4 June incident he anticipated going

before the committee as the target of criticism or attack, and, as expected, was put under house arrest and investigation in July.

Last month the liberal thought movement was very active at Shenzhen University. Many distinguished scholars from all over China came to apply to study there. The Shenzhen University faculty can be said to spare no efforts toward instruction in liberal thinking. Before the 1987 funding reversal, Shenzhen set up a free, open college. The school was breaking the iron rice bowl and not shouldering the responsibility for student distribution. Upon graduation, students all planned their own way of making a living. Students at the school furthermore wanted to pay tuition, because paying their own way for studies gave them a particularly high degree of freedom. Also, advertisements for teaching positions emphasized academic standards only, without taking political viewpoint into consideration. A number of persons considered by the Chinese Communists to be "liberal elements" were able to get teaching positions at Shenzhen University. Therefore, Shenzhen University's student association, professors' association, and teachers' union were truly democratically constituted. The leaders of this popular movement are precisely that student association and professors' association. This was considered to be unique in all of China. Each action of the Shenzhen campus upheaval has therefore been completely legal, even from the Chinese Communist point of view.

Actually, Shenzhen University achievements have been inseparable from the efforts of Luo Zhengqi, the university president and concurrently secretary of the school party committee. This is a fact, for the conservative faction of the Chinese Communists considered Shenzhen University as a liberal stronghold of the bourgeoisie, and Luo Zhengqi as a dangerous person who needed to be eliminated soon after that.

For this reason, at the same time as they put Luo Zhengqi under house arrest and removed each of the department heads from office, the Chinese Communists took two left-leaning officials who were close party adherents from an inferior college between Guangzhou and Yuxi to Shenzhen University to replace Luo Zhengqi as university president and secretary of the school party committee. On 15 May, during the student upheaval at Shenzhen University, the university president, vice president, and Communist Party members of the entire university signed a joint cable to the Chinese Communist Central Committee urgently requesting Deng Xiaoping's retirement, and solicited signatures from the entire city in order to successfully resolve the hunger strike of the Beijing University students and quiet down the student upheaval. The reason for this present attack on president Luo is said to be Beijing's response.

It is said that somebody could have advised President Luo "to run away" shortly before that, but he is magnanimous and felt that he had committed no violations and done nothing wrong, so there was no need to hide.

But the Shenzhen public security post did not trust him. Hong Kong is too close to Shenzhen University, and they can't stand it when a breeze stirs the grass, so they arranged for Luo Zhengqi to leave for a "recuperative" soak in the hot springs (house arrest), for this school president was someone who must be answered.

Guangdong Governor To Replace Head of XINHUA Hong Kong Office

HK0401070590 Hong Kong TUNG FANG JIH PAO in Chinese 4 Jan 90 p 4

[Report: "Ye Xuanping Will Administer XINHUA Hong Kong Branch, and Xu Jiatun Will Retire at the End of This Month"]

[Text] Sources close to the Chinese side reveal that the highest leadership stratum of the CPC has made a decision on the replacement of the chief of the Hong Kong Branch of XINHUA NEWS AGENCY. The post will be filled by the present provincial governor of Guangdong Ye Xuanping. Director Xu Jiatun will retire after attending the enlarged meeting of the chairmen of the Hong Kong Basic Law Drafting Committee held on 24 January.

Last night, this newspaper tried to contact officials of the XINHUA Hong Kong Branch to confirm the report, but received no reply.

According to the sources, although Ye Xuanping once refused to accept the post, he eventually accepted the appointment after repeated entreaties were made by the central authorities. It is expected that Ye Xuanping will come to Hong Kong to assume his duties at the end of March or early April at the earliest. Xu Jiatun will retire before his replacement arrives. Prior to this, the former director of the XINHUA Hong Kong Branch, Wang Kuang retired before Xu Jiatun came to take over his post.

It was learned that Xu Jiatun came back to Hong Kong the day before yesterday. He will attend the funeral of Li Ka-hsing's wife to be held at Hong Kong Funeral Parlor tomorrow afternoon.

According to another source close to the Chinese side, last month Xu Jiatun openly told reporters that he intended to retire. At a meeting of the people's deputies and members of the CPPCC [Chinese People's Political Consultative Conference] from the Hong Kong and Macao region, he again revealed that he intended to retire, but the "old guy does not want to consider this issue." Therefore, he cannot retire for the time being.

The same sources revealed that Xu Jiatun changed his words several days later. It is believed that this might have something to do with the fall of the communist parties in Eastern Europe, and probably with the fact that Xu belongs to Zhao's reformist faction.

The sources maintain that regardless of who takes the post, the two major problems which must be solved are, first, convergence of the political system, and second, the

right of abode in Britain because these issues truly reflect conflicts of interest in Sino-British relations.

Guangdong Calls for Protecting Democratic Rights

HK2612052689 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 23 Dec 89

[Text] The media recently reported on the incident of a young girl named (Wen Mingchang) who was kidnapped and held hostage for 112 days by a creditor, (Mao Shenzhong), because of a debt dispute with her parents. The incident has had widespread repercussions in society.

Our reporter yesterday learned from the Guangdong People's Procuratorate that it had issued a circular to procuratorial organs throughout the province as a result of the incident and called on them to earnestly investigate and handle all cases in which the democratic and personal rights of citizens have been seriously violated because of debt disputes.

The circular pointed out that procuratorial organs throughout the province should completely fulfill their function of exercising legal supervision, thoroughly investigate violations and criminal cases of the kind that occurred in the province, and resolutely deal with them according to the law. Meanwhile, they should launch a propaganda drive throughout the province by taking advantage of the kidnapping of the young girl (Wen Mingchang), and let the relevant units, departments, and individuals know that all debt disputes should be settled by legal means. Meanwhile, procuratorial organs at all levels should resolutely overcome the idea of local protectionism, impartially enforce the law, and deal with all cases in accordance with the law when investigating and handling violations and criminal cases.

Guangzhou Tackles Pornography Market

*900N0048A Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 33,
14 Aug 89 pp 10-11*

[By Zhong Yu Ming (6988 3768 2494)]

[Text] "Pornographic materials are now found in nearly every home of convicts of all crimes. Although the war against pornography has never paused, the porno business has stayed alive and operations have grown larger. There have appeared the 'three-in-one' crimes of possessing sex paraphernalia, operating brothels, and gambling, and a series of crimes such as smuggling, fraud, transporting, and selling obscene matters," said the Guangzhou City police chief. He also mentioned that Guangzhou is developing into a distribution center for pornographic material, expanding from abroad to the hinterland because of its unique geographical location.

In Guangzhou, the porno business operators are mostly witting criminals; fully aware of the law while violating it, not able to resist the temptations of fast profits. The

"smart" people, of course, would do business underground. What is written on the operating license and what is placed on top of the counter—the clothes, the merchandise, the in-house videotapes—all seem legal. But the privately prepared videos and the sex catalogues are all negotiated by the parties involved in transactions at secret locations so as to escape the inspections and market regulations.

Although the source of these pornographic videotapes, magazines, books, and poker games is Hong Kong and overseas, the smuggling cases uncovered by customs are fewer and fewer. This is because the smugglers are getting more and more "advanced." These criminals, both inside and outside China, coordinate with one another and make deals in international waters by hiring fishermen in coastal areas such as Chaoshan to operate fishing boats inland through various channels. Once, on the Guangzhou highway, the police caught a street vender who was carrying more than 500 pornographic books and magazines.

Five or six years ago videotapes were still rather new to the people in China. In 1982 the Guangdong provincial government issued a public notice: "All units and individuals who own VCR's and videotapes must report the brand name and serial number and submit a namelist of the movies to the department of culture of the county or city government within a month of the date of this notice. County and city governments must report to the provincial government. Units and individuals should await further notices." In 1983, government registrations showed that there were fewer than 2,000 VCR's in the province. But today, according to a sample survey in Guangzhou, as many as 20 percent of its residents have VCR's. It is unclear if "registration" is still enforced, because many VCR owners might not have even heard of it. Besides, there are 60 locations throughout Guangzhou that are allowed to show videotapes; more than 130,000 shows were viewed, with audiences reaching 6.5 million last year alone.

In February 1989, Guangzhou Radio and TV Broadcasting Company announced that there were 303 foreign and domestic movies in public circulation. This number, in view of the increasing popularity of VCR's, seems rather small. But, since the price of videotapes has never come down, and because the government exercises tight restrictions over the manufacture of tapes, and there are only 20 licensed distributors and six videotape rentals businesses in Guangzhou, smugglers all over the city are reproducing movies from both Taiwan and Hong Kong, selling them cheaply and without licenses.

In the meantime, there is a shortage of legal movies to satisfy the huge demand for entertainment. As a result, smuggled videotapes, especially those silly comedies and cheap slapsticks bordering on the pornographic, are socially tolerated, and some individuals and cooperatives across all lines of business have jumped on the bandwagon of producing them, both openly and underground. This factor alone has made tackling the problem of banning porno movies very complicated.

The "antipornography" people said that it is even more difficult to control the legally published domestic publications. Although the content of these publications is pornographic, these publications have legitimate book numbers. The government could only fine the distributors and bookstores and confiscate the issues that are pornographic. Some say this is very unfair. There was a big raid in Guangzhou on 24 July, when many obscene materials were confiscated and eliminated. But by 31 July, when there was another raid, new porno materials appeared on the book shelves again. Frustrated, Guangdong Province is adopting an "indigenous" policy: All publications not published in Guangdong are subject to review and inspection by the concerned provincial departments.

Because the illegal pornographic materials are mixed in with legal publications and the smuggled videotapes are hidden in the huge volume of innocuous and censored entertainment programs, the regulators cannot determine precisely who the culprits are and usually don't know what to do about it.

Recently, Guangdong Province, under unified command efforts, carried out a provincewide "focused struggle against smuggling, reproducing, selling, and spreading pornographic publications." The deputy secretary of the city party committee, the deputy mayor, the chiefs and deputy chiefs of the bureaus of public security, industry and commerce, culture, radio and TV broadcast, and publications all made personal appearance in the campaign. The Bureau of Public Security had sent out police cadres from its security control section; the Bureau of Industry and Commerce had mobilized its economic inspection section and antimuggling teams; and workers' associations, youth, and women's organizations were all galvanized into action, with more than 10,000 people, at different times confiscating 6,800 porno videotapes and banning 558 kinds of publications totaling over 100,000 in number. The concerned personnel had said hopelessly: "Oh, well, at least the counters looked a little cleaner."

This "special target" raid was praised by everybody. However, after it was all over, many people started to worry that it is not a long-range solution. The various bureaus of public security, industry and commerce, radio and TV broadcasting, press and publications, each has its own internal difficulties in dealing with this problem:

The public security departments:

To ban and to crack down illegal publications is a significant and unshirkable task. However, the public security departments have only several hundred people and a budget of a mere 100,000 yuan to shoulder all the safety control and crime prevention duties of an entire city, from checking everyone's ID's to safeguarding his safety. But a porno publications case, which "is worth a thousand jin when it is an issue, but only a few ounces when it is not," seems less urgent compared to cases of murder, robbery, burglary, and rape. There is no specialized personnel nor ad hoc budget to handle this new task.

Juggling the priority of coordination among police forces and financial restraints makes it small wonder that the "special target raid" can be lost in the shuffle.

And then there is the question of what to do with the criminal after he is arrested. The regulation says than more than five pornographic videotapes alone can get someone a prison term or a fine up to 3,000 yuan. But a responsible person of the safety control section says that too many people are in violation of this particular law. The procurator and the court say that you can't make an arrest unless you investigate and establish that the sources of these tapes can be documented and the tapes are actually sold. To obtain this kind of evidence is very difficult, wasting not only manpower but material resources. The criminal usually ends up paying a fine rather than being put in prison. A fine of 3,000 yuan is not enough to hurt the business and the vendors. Besides, repeated arrests and releases do no one any good. This same responsible person also says that the license is issued by the Bureau of Industry and Commerce. If they would just cooperate by revoking the license of a violator, it would be more effective in controlling the smuggling situation.

Industry and commerce departments:

"A license cannot be revoked rashly. Revoking a license means breaking someone's rice bowl, making him destitute, and resulting in more trouble for him later," says a responsible person in the economic inspection section.

This person also says: "We are the ones that don't want them to sell the videotapes over the counter, so they went underground. And our operation is hit or miss. If we find out about a case, we handle it. If we don't, we don't have a case. But if we confiscate some tapes on the spot, somehow the tapes turn up in the market again two days later. This cycle goes around and around. If we report to public security, they don't come to arrest these people. Our business regulators don't know which publications are allowed and which are not. Furthermore, audiotapes, videotapes, and magazines are merchandise of a special category whose licenses are issued by the departments of radio and TV broadcasting and news publications. Why not let them take care of this problem."

Radio, TV broadcasting, and news publication departments:

The Radio and TV Broadcasting Bureau and the Bureau of News Publications are established only at the city level. At the county and district levels the bureaus are under the jurisdiction of the Bureau of Culture which is an administrative department in charge mainly of inspection, research, and policymaking, with only a handful of people. There is no way that they can exercise and control every market operator on a regular basis.

The Community and Cultural Fair, under the auspices of the Office of Community and Cultural Regulations, was officially established in Guangdong in 1982.

Jian Gang (0673 1696 0474), chief of Guangzhou's Social Control Commission believes that the videotape market should be managed by a specialized team, just like the regular markets that are under the control of the market management people from the Bureau of Industry and Commerce. Although it is necessary to have unscheduled raids, it is more important for the long term to have applicable regulations on business management, penalties, and fines, and most urgently, to establish a specialized team whose sole job is conducting inspections.

Porno publications are, after all, small potatoes in the criminal business such as public security crimes and economic crimes. All sectors of our society recognize the danger of this kind of crime, that is why they think it is the duty of the public security and economic inspection departments. But they also hope that a specialized inspection team from the Community and Cultural Fair and some regulations on the fines and penalties for this kind of crime can be established as soon as possible.

Guangdong Holds Meeting on Spiritual Civilization

HK2712141589 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 26 Dec 89

[Excerpt] The provincial meeting reporting on and examining efforts to develop spiritual civilization concluded in Guangzhou yesterday. Xie Fei, who is involved in the development of a spiritual civilization in Guangdong and is the deputy secretary of the provincial CPC Committee, listened to the report. He pointed out the main tasks in the next year for the development of spiritual civilization in Guangdong: Implementing the spirit of the 5th Plenary Session of the 13th CPC Central Committee; strengthening ideological and political work; ensuring that economic rectification and improvement, as well as additional reforms are smoothly carried out; eliminating the four pests and establishing new habits; ensuring that the four cardinal principles are at the core of education; and training a free and new generation. In order to improve efforts to develop a spiritual civilization, we must emphasize control of several matters in the next year. We must earnestly identify and promote a group of advanced models; firmly develop spiritual civilization by expanding the coverage areas for television broadcasts; determine the methods for leading the development of spiritual civilization. [passage omitted]

Hainan Acts To Inspect, Purge Publications Markets

90ON0048B Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION in Chinese No 33, 14 Aug 89 pp 10-11

[By Chen Jiang (7115 3068)]

[Text] Since mid-July, the Hainan Special Economic Zone has inspected and purged the province's books and periodicals market following the principle, "encourage that which is beneficial and harmless, oppose that which is harmful, and punish the illegal."

According to an official of Hainan Province's Department of Culture, Broadcasting, Television, and Physical Culture, since Hainan became a province and a special economic zone last year, it has made major advances in all its cultural endeavors, and culture in the province is flourishing. The appearance of newspapers and book stands has eliminated the past monopoly of Xinhua Bookstore. This change has by and large satisfied the cultural needs of the masses and has made an important contribution to culture in Hainan. However, because management of cultural affairs has not kept up with developments, and because laws governing culture, since Hainan became a province, have yet to be made, Hainan's books and periodicals still suffer from some serious problems. For example, publications on bourgeois liberalization can be found circulating in society and some private entrepreneurs and a minority of the collectives are illegally selling books and periodicals that are pornographic, lewd, or are about murder, violence, and feudal superstitions. Such material are a very bad influence on youth; the public is opposed and calls loudly for reform.

Statistics show that there are currently 504 newspaper and book vendors in the province, of which 97 are in the capital city of Haikou, and 30 are wholesale distributors. In accordance with the "Urgent Circular on Inspecting and Reforming the Books and Periodicals Market" recently issued by the Press and Publication Administration, Hainan Province has specially formed a leading small group for the reform of culture. The group's members were drawn from the provincial party committee, the provincial government, propaganda department, culture and sports office, public security office, and other relevant offices. Its day-to-day affairs are managed by the Hainan Province Department of Culture, Broadcasting, Television, and Physical Culture. The group coordinates the efforts of the public security office, industry and commerce, customs, and other relevant departments in guiding and assisting cities and counties throughout the province in carrying out investigation and reform.

Haikou and Fucheng are the Hainan Special Economic Zone's windows to culture and are also the largest markets in Hainan for cultural commodities. During the course of investigation and reform of the books and periodicals in this area, the relevant departments coordinated with one another to make unannounced inspections of the main streets in residential areas. The investigation focused particularly on the temporary books and periodicals stalls selling illegal and pornographic material at train stations, wharves, and other public places.

On the morning of 20 July, a small inspection team composed of people from relevant departments arrived at the Xingang wharf at Haikou to conduct an inspection. There they found that the streetside newspaper and book vendors had hidden lewd and pornographic books and periodicals under newspaper piles or inside cash registers to escape detection. That same morning, they discovered and apprehended five people who were

selling illegal publications, and confiscated more than 300 pornographic and lewd books or periodicals. According to the confessions of the arrested people, the books and periodicals were transported in bags from the mainland through Qiongzhou Channel into Xingang wharf. Besides selling some of the imported publications at the dock for passengers to enjoy while awaiting thier rides, the vendors also spread the publications into Haikou and the villages and towns of other cities or counties at a high profit. At present, relevant departments in Hainan are using these clues to continue their investigation in order to apprehend more criminals and destroy the centers of illegal trafficking and printing of pornographic books and periodicals.

Because of Hainan's hot weather, streetside book vendors are especially active at night. To combat them, the books and periodicals inspection and reform groups conducted an unannounced inspection from 10:00 in the evening of 21 [July] till 1:00 in the morning of the following day. During their inspections, the teams discovered a batch of so-called "new wave novels" that explicitly describe erotic and sexual activities. These novels were spread from Hongjiang in Guangdong and via the Qiongzhou Channel and the sea off Sanya City in Hainan. These publications do not bear the names of any publisher nor do they have publication numbers, and they were sold at very high prices. They also confiscated a batch of pornographic books and periodicals imported from Hong Kong and Macao, such as the color magazines LONG HU BAO and CANG XIN GE from Hong Kong. A count shows that more than 11,900 illegal books and periodicals were confiscated during the two raids on 20 and 21 July in the Haikou and Fucheng areas. In addition, 17 unlicensed books and periodicals vendors or distributors were put out of business.

While inspection and reform of books and periodicals on the market continues, Hainan has also destroyed or confiscated banned and pornographic books and periodicals found in post offices, bookstores, and libraries that are on the list of the Press and Publication Administration. They inspected three of the province's publishers. The translation of a foreign book, *How To Know Her*, which was translated and published by the Hainan People's Publishing House, has erotic language; therefore 300,000 copies were destroyed. The deputy editor who approved publication of this book, the chief of the arts and culture department, and other employees of the publishing house who were involved are currently carrying out self-criticism.

Hainan paid strict attention to policy while carrying out its inspection and purge of books and periodicals on the market. While inspecting and confiscating books and periodicals that are banned, erotic, about murder or feudal superstitions, it also praised businesses that abide by the law, encouraged them to sell good books, and provided them with information about the books and periodicals market. During the inspection and reform, relevant departments also tried to improve regulations governing the books and periodicals market.

Officials involved in managing culture in Hainan told this reporter that doing a good job in managing culture is a long-term and difficult task. Inspection and reform of the books and periodicals market is only the beginning.

Hainan Outlines Tasks To Improve Public Security

*HK2012072589 Haikou Hainan Provincial Service
in Mandarin 2300 GMT 17 Dec 89*

[Excerpts] In carrying out economic development and advancing the ongoing reform, it is necessary for us to maintain good social order and a secure social environment. The Hainan provincial meeting on public security work, which concluded today, explicitly pointed out that in order to maintain and improve social order, the following five principles must be followed: 1) The principle of following the leadership of the CPC Committee and mobilizing all party members; 2) The principle of integrating specialized work with the mass line; 3) The principle of integrating punishment, prevention, and reform; 4) The principle of adhering to the socialist legal system; 5) The principle of following the people's democratic dictatorship. All these principles embody the basic experience and fine traditions of China's public security work.

At present, we must turn our efforts to the following aspects:

1. We must strengthen the concept of public security work. [passage omitted]
2. We must formulate specific measures aimed at strengthening public security work and implement a responsibility system at all levels. [passage omitted]
3. We must continue to adhere to the principle of promptly meting out severe punishment in accordance with the law. [passage omitted]
4. We must continue to carry out the struggle aimed at wiping out the six vices in accordance with the unified plan of the State Council. [passage omitted]
5. We must strengthen comprehensive management of public security work and establish and perfect a responsibility system aimed at strengthening public security work at all levels. [passage omitted]
6. We must reinforce the public security contingent at all levels. [passage omitted]

Rapist, Child Abductor Executed in Henan

*HK2112085589 Zhengzhou HENAN RIBAO in Chinese
5 Dec 89 p 1*

[Report by Wang Wei (3769 0251), Guo Qing (0948 1987), and Song Li (1345 5461): "Two People Were Executed for Abducting and Children and Raping Women"]

[Text] On 4 December, the provincial Higher People's Court held a meeting to pronounce the death sentence on

two criminals. Du Hanchun was deprived of his political rights and sentenced to death on a charge of abducting and selling children. Yang Haike was deprived of his political rights and sentenced to death on a charge of rape. After the pronouncement of their crimes, the two criminals were taken to the execution ground and executed.

Du Hanchun, male and aged 38, was a peasant from Shizicun Village, Xiamiao Township, Huaxian County, Shaanxi Province. From November 1986 to February 1989, he abducted five children (the oldest being 3 years of age) on five occasions from Dali County of Shaanxi Province to Changge, where he sold them. He and his gang got 10,600 yuan from selling these children.

Yang Haike, nicknamed Sun Sheng, male and aged 50, was a peasant from Wanggezhuang Village, Wuxing Township, Xinye County. From November 1986 to July 1987, under the pretext of providing medical treatment for "cervicitis," he abducted and raped three underage girls and five women.

Campaign Against 'Six Vices' Under Way in Henan

HK1312093789 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 8 Dec 89

[Excerpt] Our province has achieved good results in the struggle against the six vices. In a short period of 20 days, 4,959 cases involving six vices were cracked down on, and 13,198 criminals were arrested in the whole province. More than 10,000 pornographic videotapes, books, and pictures were seized.

Following a telephone meeting on a campaign against the six vices held by the State Council on 13 November, various localities in our province took immediate and prompt actions to solve their major problems in light of their own local conditions. Through investigation to find out the real situation, on 14-29 November, Zhengzhou city took action to successively destroy six criminal gangs that were active for a long time in various hotels and ballrooms, and were guilty of prostitution and patronizing prostitutes. On 14 November, Public Security Bureau of Bingdingshan city destroyed nine dens of prostitution in the city, and arrested 51 criminal elements. [passage omitted]

Hubei Departments Urged To Eliminate 'Six Vices'

HK1812044189 Wuhan Hubei Provincial Service in Mandarin 1000 GMT 15 Dec 89

[Text] The provincial government held a telephone conference last night, calling on people to take further action to carry out a unified provincewide struggle against six vices: prostitution; producing, selling, and spreading pornographic materials; abducting women and children; growing, taking, and trafficking in drugs; gambling; and swindling and cheating people through feudalistic religious activities.

Provincial Vice Governor Han Hongshu spoke at the meeting. He pointed out that, since the beginning of the year, various localities have taken certain special actions against pornography and other criminal activities, such as prostitution and the abduction of women and children, and some achievements have already been made. However, the spread of such disgusting phenomena has still not yet been effectively controlled. From January to October, the number of cases of producing, selling, and distributing pornographic materials handled in this province had increased compared with the same period of last year. They directly endangered the socialist system and the building of socialist spiritual civilization. Therefore, the governments at all levels and all relevant departments must enhance their sense of responsibility and sense of emergency and regard the work of eliminating the six vices as an important task for the present. Governments at all levels must appoint a main responsible comrade to take charge of this work and establish a special leading group so that the work can be carried out successfully under leadership. All relevant departments must be clear about their responsibilities and closely coordinate with one another so that they can perform their duties and give play to their functions well, and so that this unified action may not be carried out perfunctorily or superficially. Tian Qiyu, member of the Standing Committee of the provincial CPC Committee and secretary of the provincial Political and Legal Committee, attended and spoke at the meeting. (Wu Yunning), secretary general of the provincial government, presided.

Shenzhen Prepares for People's Congress Elections

HK3012013889 Hong Kong HONGKONG STANDARD in English 30 Dec 89 p 6

[By Fan Cheuk-wan]

[Text] The Shenzhen Municipal Government is preparing to hold the first election for the city's three district people's congresses early next year, paving the way for the long-awaited establishment of the Municipal People's Congress.

The establishment of the congresses in Luohu, Nanshan and Futian districts would mark the first step in Shenzhen's plan to win legislative power from the National People's Congress (NPC) Standing Committee.

The Shenzhen government has also hastened the drafting of economic laws modeled on Hong Kong's, and will produce a five-year blueprint for the work in anticipation of getting legislative power.

In an interview with THE HONGKONG STANDARD in Shenzhen yesterday, Madam Ma Naijue, head of the Regulations Division of the Shenzhen Municipal Bureau of Laws and Institutions, said they were waiting for the State Council to approve proposals for the three district congresses.

The Regulations Division is responsible for the law-drafting plan and some of the preparation work of the Municipal People's Congress.

She said if the proposals were approved the first district election would be organised as soon as possible.

She said time was needed to nominate deputies, formulate election regulations and carry out propaganda work but they hoped to establish the district congresses before the third session of the seventh NPC next March.

Shenzhen proposed at the second session last April that the congress should decide whether to delegate legislative power to the Municipal People's Congress.

A modified motion to give the NPC Standing Committee the power to decide whether the planned congress should be allowed to pass laws for the special economic zone (SEZ) was strongly opposed by delegates.

"Shenzhen needs its own law-making body and legislative power to cope with the needs of the market-oriented economy of the SEZ," said Madam Ma.

"Shenzhen's laws must be passed by the Guangdong Provincial People's Congress, but it takes over six months to pass one law and has only passed 23 economic laws for Shenzhen in the past 10 years."

Although the Municipal People's Congress could not be set up before the next NPC session, Madam Ma said the Laws and Institution Bureau would continue drafting economic laws modelled on Hong Kong.

"Both the party central and the State Council have stressed that the open door policy and economic reforms in China would remain unchanged," she said.

"Foreign businessmen demand legal protection when they decide to invest in Shenzhen. They hope to do business according to international practices and laws.

Madam Ma said laws being drafted were related to the property market, urban management, financial systems and enterprise organisation.

SOUTHWEST REGION

Sichuan Opens Conference on Public Security Work

HK1612054689 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 15 Dec 89

[Text] At the first Sichuan Provincial Conference on Mass Public Security Work, which was convened yesterday, Gu Jinchi, deputy secretary of the Sichuan Provincial CPC Committee, stressed that establishing and developing all types of mass public security work organizations and training the relevant personnel are a specific demonstration of and demand for maintaining the socialist economic and social order and following the

mass line. Therefore, the CPC Committees and people's governments at all levels should attach great importance to and make every possible endeavor to strengthen provincial mass public security work in order to maintain stable social order in Sichuan.

At the conference, the Sichuan provincial public security department commended 403 advanced units and individuals. Wu Xuede, director of the Sichuan provincial public security department, also delivered a speech entitled "Bring Into Full Play the Role of Mass Public Security Organizations and Maintain a Good Social Order and Public Security Order" at the conference.

NORTH REGION

Commentator Calls for Strong Work Among People

HK2212063189 Beijing RENMIN RIBAO in Chinese 4 Dec 89 p 5

[Commentator's article: "Doing More Solid Work for the Masses"]

[Text] It is really moving to read the account of the Tianjin municipal party committee and government doing solid work for the masses of people. It is also deeply moving to learn that the masses roused their enthusiasm after experiencing the warmth of the party and the government. With this close relationship between the party and the people, all undertakings led by the party will undoubtedly move ahead more quickly.

Doing solid work for the masses and letting them feel and understand that the party and the government "do everything for the people and rely on the people in everything" is a characteristic of the work of the Tianjin municipal party committee and government and of many other party organizations and governments as well. Our party's purpose is "to serve the people wholeheartedly." The process of the party from its founding to growth in full strength is, in a certain meaning, that the masses feel and understand the party's purpose. Therefore, when the party's cause meets with obstruction and errors occur in its work, more often than not this means that we have deviated from or run counter to the purpose of "serving the people." It can thus be said that doing solid work for the masses is our party's fine tradition and also its basic task. At any time, our party has to inherit and carry forward this tradition and refrain from diluting it, still less discard it.

To do solid work for the masses, cadres of the party and the government should constantly pay attention to their voice and feelings, help them remove their worries and solve their problems in a down-to-earth manner, and bring them benefits. Comrade Mao Zedong said, "The first aspect of our work is giving something to rather than asking something from the people. Only when this work is done and it is really successful can we win their

support when we take up the second aspect of our work—asking something from the people. So long as our comrades understand and coordinate these two aspects of our work with each other, we can be considered communist revolutionary in the full sense.”

Reviewing our achievements and mistakes in the past few years, we can find some experiences, positive and negative, in the construction of such areas as work style and ideology in the masses’ sentiments. Those comrades who blame the masses for giving them inadequate support when difficulties crop up may find that they have succumbed to bureaucracy and cared for the masses inadequately if they examine themselves. It is only natural that the masses blame and oppose those comrades who always ask something from them, rather than give—ask them to raise funds for this purpose at one time and that purpose at another time.

In doing solid work for the masses, first of all one must be willing to do so. Practical work can be found year-round everywhere in areas ranging from basic problems in everyday life, such as houses, children, and stoves, to demands in other aspects of life. The people are leading a plain life and their demands are generally not high. Therefore, it is not difficult to accomplish some things. What is difficult is to willingly and persistently foster the sense of being “public servants” and to willingly do solid work. So long as our comrades always keep the purpose of “serving the people wholeheartedly” in mind, solve problems one by one, and do solid work item by item, they will surely win the support of the broadest masses of people. Under this prerequisite, even if some things cannot be done immediately or cannot be done at all due to various reasons, as long as they explain the situation to the masses, they will also gain the latter’s forgiveness.

The communists do not have any interests other than those of the whole proletariat and the masses of people. If the party’s cadres do more solid work for the masses and enlarge their competence to do so, they will be able to get the masses “united to fight for their own interests.” In this sense, the masses are most beloved. So long as they do feel that the interests of the party and the people are identical, they will vow to adhere to following the party. The masses are most respectable. Once their enthusiasm is aroused, they will do their best to work for the party and the government enthusiastically and many difficulties previously difficult to tide over can be solved smoothly. The masses are also most fearful. Without their understanding and support, almost nothing can be accomplished.

Doing solid work for the masses appears to be a matter of work style. In fact, it is an important matter with a bearing on maintaining a closer relationship between the party and the people and on the nature of the party. All party members, in particular, party member cadres, must always keep in mind the advocacy of “make fewer empty promises and do more solid work.”

NORTHEAST REGION

Jilin Executes Electricity Equipment Thieves

OW0212042189 Beijing XINHUA in English
1536 GMT 1 Dec 89

[Text] Changchun, December 1 (XINHUA)—Five men were executed today on charges of destroying state electric power facilities and causing serious damage in Jilin City, northeast China’s Jilin Province.

The death sentence was carried out on the verdict of the city Intermediate People’s Court in Jilin and with the approval of the provincial Higher People’s Court.

Zhou Mingyu and Lin Gang, both unemployed, of Jisu Town, Sulan County, demolished seven transformers and stole 3,500 m of cables and wires in four villages from September to October 1988, causing direct economic losses of 20,000 yuan, plunging 400 households in six villages into darkness, and interfering with the irrigation of 120 ha of rice paddies.

The other three were a father and his two sons of Panshi County. They stole 19 transformers and 6,400 m of cables and wires worth a total of 41,100 yuan between September and October 1988 in three counties. As a result, 340 households were left without electric lighting, and irrigation of 200 ha of rice paddies were affected.

Liaoning Governor Emphasizes Consistent Ideological Work

90ON0160A Shenyang LILUN YU SHIJIAN [THEORY AND PRACTICE] in Chinese No 18, 15 Sep 89
pp 2-3

[Article by Li Changchun (2621 7022 2504), governor of Liaoning Province: “Absorb Lessons, Improve Knowledge of Doing Ideological and Political Work”]

[Text] The historic 50-day event that developed from a student strike to an upheaval and then grew into counterrevolutionary rebellion is an unusually important event in the history of our party and our republic and was a profoundly significant struggle. Through the experience of this event the important thing is that we should summarize and absorb a profound lesson from it. On reflection, what is the most basic lesson? To focus on one point, it is that in the past we were not consistent enough in upholding the four basic principles and in two basic points there is the phenomenon of being both soft on one hand and hard on the other. This could be called a painful lesson.

I think this being hard on the one hand and soft on the other were mainly manifested in these ways: One is that bourgeois liberal thought has spread unchecked in the ideological realm for a long time, but we have been unable to adopt resolute, forceful, and consistent measures to resist and oppose it. We have also been unable to develop correctly the front line of ideological struggle, once again failed to use the pen to completely grasp the proletarianism. Another manifestation is that in the

process of reform and liberalization we have not kept firmly in mind what Comrade Xiaoping said, and have, on the one hand, stressed reform and liberalization, and on the other stressed attacking economic crimes and various criminal activities. While noticing the major achievements of reform and liberalization, we have not paid enough attention to the negative and corrupt things that have appeared in reform and liberalization, and measures to prevent the "flies" and "mosquitoes" from coming in during the process of liberalization have not kept up, hence a minority of cadres have been toppled by some corrupt aspects of capitalism. Most recently, the following problem has emerged in dealing with some major cases: For a long time, the masses have been dissatisfied with party style and social atmosphere, so some of the masses have no confidence and that is why so many people participated in the demonstrations and the upheaval when a minority proposed anti-official and anticorruption slogans during the student strike. This permitted a few bad people to manipulate such a large group of students. Facts prove that the struggle of the bourgeoisie and the proletariat to capture the younger generation has not stopped for a moment, and "Dulles" [a former U.S. Secretary of State] is still vesting his hopes for changing China's color in our third and fourth generations. But we have paid more attention to resolving the actual problems in education and, while this is necessary, we have not done enough research or paid enough attention to such fundamental problems as cultivating these people. We are clearly weak in daily ideological and political work with regard to the people and in the process of making economic work the central focus, have therefore made the masses' spiritual support very weak, making them easily deceived and used by a minority. Rumors were rife during this period because the ideological and political work of many grassroots units had become weak. Our being soft on the one hand and hard on the other is also manifested in that there was a weakening of the concept of party in the past few years and that there was some confusion about the party's position and role and about the problem of party leadership, which was especially apparent after the reform of the political system was proposed. A minority of people with ulterior motives took this opportunity to propose openly discussion of the party and the party leadership. As party secretary, Comrade Zhao Ziyang also committed some serious errors on this fundamental issue and hence weakened the party leadership during the past two years. Thus, on this fundamental issue, if we do not absorb the lesson of being soft on the one hand and hard on the other, then it will be very dangerous for the People's Republic of China for we which traded the blood of 20 million martyrs. We should be aroused by this event. The knowledge of our cadres at all levels and the broad masses should reach a new level, a new height, a new lead, a new turning point with regard to the issue of upholding the four basic principles and the issue of upholding our emphasis on both hard and soft. We should strengthen self-consciousness and the sense of urgency, and in particular we should emphasize work in the ideological realm and emphasize work in ideological

areas. We should strengthen the concept of party and resolutely initiate the struggle against corruption. The executive leadership of government at all levels and grassroots-level organizations should uphold emphasizing both hands and should constantly improve the concept of party and the concept of the masses. We should uphold party work, uphold ideological and political work, take the initiative to get in touch with the situation and provide support in the areas of manpower, finances, and materiel. We should begin some survey and research, study some policy direction so that in upholding the four basic principles we overcome the problem of soft and hard and be able to establish a solid footing through policy direction. For example, in strengthening ideological and political work, how should we make ideological and political work assessment part of the policies and systems, and how is it to be manifested in the enterprise contract responsibility system; how is it to be manifested in assigning the graduates of higher schools. We should study policies to further smooth out social allocation on how to overcome the problem of unfair social allocation; we should study the problem of how to establish a policy direction of improving the corps of ideological and political workers, and so forth. These policy issues should be work conscientiously studied by all levels of government to put it on a solid foundation.

Party organizations at all levels should make ideological and political work their primary responsibility and should play a central role in politics. Government and administrative departments at all levels should uphold stressing with both hands and take on the mission of building the two civilizations. For this I think we must make clear the following issues:

First, we should handle the implementation of the leader responsibility system and the plant manager responsibility system well, strengthen the command of administrative leadership, mobilize the initiative of the broad masses, and establish the relationship of the employee masses' position as master in enterprises. Why is ideological and political work frequently overlooked in administrative leadership? An important reason is that the relationship of the two has not been unified but put in opposition. According to Marxism's materialistic view of history, the masses of the people are the true driving force that creates history and are the masters of history. Comrade Mao Zedong has also said that the masses are the true heroes, and if we separate ourselves from the masses of the people we will be unable to accomplish anything. On the basis of this materialistic view of history, the Chinese Communist Party established the party's mass line as the fundamental political line and organizational line of our party and only in this way has the Chinese revolution won victory after victory. Now, in the process of carrying out the four modernizations, we should uphold the party's mass line. Because of the nature of our socialist system, and as determined by the state system defined in our Constitution, the masses of the people are the masters of society.

Thus, even more under the new situation should we have new developments in the party's mass line. Relying on the masses to do everything both conforms to Marxist historical materialism and is also an important symbol of our socialist system, as well as being our party's good traditional work style, which has taken shape over a long period of time. An important condition of whether our cadres at all levels can do their work is whether they can use the party's principles and policies to propagandize the masses, motivate the masses, and organize the masses. And this process is a process of ideological and political work. If we cannot do ideological and political work, then we cannot motivate the masses nor can we carry out the mission that the party has given to our cadres at all levels. Thus, the most fundamental and most minimum demand on our administrative cadres at all levels is to have a mass concept and to be good at mass ideological work.

Second, we should deal with the relationship of upholding the standard of productive forces and improving ideological and political work. Productive activity is mankind's most basic practical activity and upholding the standards of productive forces conforms to Marxist principles. However, we cannot oppose upholding the standards of productive forces and improving ideological and political work, but should say that the two are united. Marxism tells us that of the three key elements in productive forces, people are decisive factor. Yet, the quality of a person includes not just his labor skill and level of knowledge; his ideological consciousness, moral level, and so forth, are also important elements. Thus, improving the level of productive forces is first of all a matter of improving the person's quality and improving the person's quality should be done through various channels, of which education and the techniques of ideological and political work are the important channels and techniques. According Marx's theory of reproduction, the cycle of the reproduction process also requires the reproduction of the labor force; and the reproduction of the labor force includes the technique of education and the technique of ideological and political work. Thus, in the process of upholding the standard of productive forces we must emphasize improving people, and the improvement of the person's quality requires that we emphasize education and ideological and political work.

Third, we should correctly handle the relationship between improving administrative management and improving ideological and political work. Our administrative leaders frequently give strong emphasis to improving administrative management and this is completely correct, but they also cannot put administrative management in opposition to improved ideological and political work. Of the various types of management work, management of people is the most fundamental. Naturally, there are various methods—economic, political, legal, and so forth—in the management of people. However, the technique of education and the technique of ideological and political work are one important path

for managing people. Administrative leadership comrades in enterprise work in particular should not understand the issue of improving management one-sidedly. Why do simple economic punishment and simple administrative punishment appear frequently? This in itself is a reflection of the one-sided understanding of management. Management itself includes both the function of organizing productive forces as well as the function of coordinating production relationships. In the process of organizing productive forces there is the people element, because people are the element in productive forces that is most dynamic and that plays a dominant role. Even less can coordinating production relationships be separated from people. Our strengthening ideological and political work should put in order the relationship between people in production, exchange, and allocation. Thus, improving management itself includes ideological and political work and ideological and political work itself is an important constituent part of enterprise management work.

Fourth, correctly understand the relationship of the principle of material benefits and ideological and political work, unify the two, and do not put them in opposition. In the socialist stage, we certainly should uphold the socialist principle of distribution according to labor and recognize that the principle of material benefits is an important principle. However, we cannot view the principle of material benefits as omnipotent and absolute and we cannot separate the principle of material benefits and ideological and political work and oppose one with the other. Ideological and political work and the principle of material benefits are unified and neither can be dispensed with. On the one hand, we cannot discuss ideological and political work, ideological boundaries, style, and consciousness, and not discuss the principle of material benefits, not engage in distribution according to labor, and return to the old path of egalitarianism with everyone eating from a big pot. However, on the other hand we also cannot discuss distribution according to labor, receiving more for more labor, and the principle of material benefits without discussing morality, ideals, and the spirit of contribution. These two seem contradictory, but actually they are completed unified. According to our socialist views on morality and value, the motivation and starting point of a person's work and behavior should be to make a contribution to the four modernizations, to the nation, and to the people. And as a national and social policy, it should be distribution according to labor and receiving more for more labor. However, as an individual, one cannot make the pursuit of material things and the pursuit of money a view of value. We must combine the principle of material benefits and ideological and political work. In fact, through practice we can also sense that the function of the principle of material benefits is limited and it cannot be unlimited and all-powerful. It is already the case that some enterprises have made bonuses very high, and through increasing bonuses can no longer mobilize the initiative of the broad masses. According to psychology, people's demands are multifaceted, and material

demands cannot substitute for spiritual demands or demands in other areas. This requires that when correctly applying the principle of material benefits and the principle of distribution according to labor, our administrative leadership comrades must stress ideological and political work.

Liaoning's Yinkou City Strengthens Theoretical Education

90ON0088A Shenyang [THEORY AND PRACTICE] in Chinese LILUN YU SHIJIAN No 17, 5 Sep 89 pp 22-23

[Text] Since Yinkou City restored its municipal party committee instructors group in 1984, they have worked hard to standardize Marxist-Leninist education for cadres at their posts; they have held a series of lecture courses on specialized topics in theoretical policy issues such as "On Reforming the Economic System," "Basics of Leadership Science," "Socialist Commodity Economy," "Building a Chinese Version of Socialism," "Upholding the Four Basic Principles and Opposing Bourgeois Liberalization," "On the Theory and Policy of Opening to the Outside World," and "Outline of Chinese Socialism" for over 1,500 leadership cadres at the county brigade level and above and propaganda cadres. Furthermore, they have made occasional reports on situation policies for education purposes. They have maintained a rotating schedule of training in Marxist philosophy, political economics, scientific socialism, and the basic problems on Chinese revolution and construction for about 10,000 individual cadres in municipal organizations, enterprises and businesses in this city. The self-study university for political municipal cadres has trained 1,038 postgraduate students; the municipal party committee school has trained over 1,000 leading theoretical cadres above the associate bureau level. They corrected the "cold shoulder" attitude of cadres at their posts toward theoretical work and strengthened its attractiveness. The principle reasons our city has been able to produce such vigor and vitality in theoretical work are as follows:

1. The municipal party committee leading cadres value theoretical work and take the lead in engaging in theoretical studies, emphasizing improvement in their own theoretical understanding. This is a prerequisite for successful theoretical work.

First, the municipal party committee's leading comrades have a strong awareness of theory. The municipal party committee secretary, comrade Xu Shilian [6079 0099 1670], has combined pragmatic liberalization reforms with the study of Marx's *Das Kapital*, and has personally written articles on theory to guide our construction and reform; he published an article entitled "Study the Theory of Commodity Economy in Order to Do Well in Opening Up" in the provincial government magazine LILUN YU SHIJIAN [THEORY AND PRACTICE]. He supports the research of theoretical study materials compiled by various departments of the municipal party committee; he goes to all the weekly study classes,

training classes, and topical lectures held by the municipal party committee and gives mobilization talks. Furthermore, on many occasions he has personally made educational reports about current affairs policies to municipal organization cadres and county brigade leadership cadres. Second, a theoretical study core group established by members of the municipal Standing Committee promoted a system of study groups 2 days a month; they further promoted a system of dividing up the teaching and ideological front dialogues among leadership cadres, and promoted a system whereby each person took complete responsibility for promoting fact-finding research in a factory, village, or school. Third, they went to the grassroots level to promote widespread dialogue to respond to common problems and sticky issues among the cadres and the masses. Since the 13th National People's Congress, they have already penetrated deeply into 29 business enterprises and villages, and the total number of dialogues among all practical and theoretical workers has already surpassed one hundred. For example, when responding to enterprises and party organizations on how many work cadres are needed for supervisory roles in the new period, [Xu] was not eager to work as party committee secretary and concurrently as an assistant factory manager, thereby helped to stabilize the political work cadre contingents and to reduce unnecessary [manpower] losses.

2. The division of administrative levels and targets to realistically carry out education is a key link in strengthening the attractiveness of theoretical work.

Ever since the 3d Plenary Session of the 11th CPC Central Committee, many cadres have had the responsibility of studying anew the basic theories of Marxism. Older cadres need to correct some of their thinking, and as for younger cadres, although they have held a variety of leadership posts during the great wave of reform, the majority of professional and technical cadres studied only a little basic Marxist-Leninist theory in their college course work. If the real situation is not clearly understood, then theoretical work will be neglected. In the past few years, we have promoted education at different administrative levels for leadership cadres at associate department levels and above, county group enterprise units, and managerial-level business and industry units. For party political organization leadership cadres, the teaching emphasis is on overall policymaking, changing their function, and how to serve from the grassroots perspective. For grassroots business and industry leadership cadre units, the teaching emphasis is on topics such as how, within the context of economic production, to conscientiously conduct affairs according to the rules of economics, to appropriately deal with relations between the party and the masses and between cadres and the masses, and to consolidate the different viewpoints within the enterprises; this has strengthened the attractiveness of education. Also, we are promoting different kinds of training for party affairs cadres and administrative cadres in order to resolve their respective theoretical problems. For example, when implementing a theoretical class in "Enterprise Law," we conduct separate

training classes for party affairs cadres, administrative cadres, and worker cadres in order to solve their respective problems in changing their perspectives, functions, and methods. When investigating the ideological political work issues of the new era, we provide separate training for party cadres and political cadres. Party affairs cadres study economics and management and administrative cadres study government and ideological political work topics in education and research, so that their adaptability to change has improved.

3. Strengthening theory among the ranks, seeking rules for theoretical work, and maintaining a realistic spirit constitute the lifeblood of theoretical work.

Whether the rank of theoreticians is developed well or not affects the effectiveness of theoretical work. "Those in the dark are in no position to light the way for others." Thanks to the municipal party committee, the building of our city's theoretical contingents has made for orderly personnel, stable contingents, realistic policies, and a higher level of enthusiasm. The municipal party committee takes care of theoretician's immediate problems such as evaluating their positions and duties, allocating houses, and others affecting their welfare; the theoretical contingents have increased their self-study, and each person has committed to studying the 19 works by Marx and Lenin. Theoretical workers have been supporting pragmatism, successfully engaging in research, and filling their heads with the new materials on reform and opening up, which has allowed them to speak with some authority and take a stronger stand. They stick to the system of collective lesson preparation to draw on their collective wisdom, adhere to a consistent line in teaching, and raise teaching standards. They engage in theoretical research in order to broaden their knowledge; they unite education with research and invite teachers of theory to participate in all theoretical research movements held in the city. In the past few years, we have sought after an inherent law of theoretical work, upheld the guiding principle of linking theory with practice, and unceasingly raised the standards for theoretical work. Theory originates in practice, and theory must benefit practice; in seeking practicality one must concentrate one's efforts, correct the tendency to be bookish and arrogant, be firmly rooted in the reality and conditions of one's own unit, guard against abstract theoretical talk, have a thorough grasp of both sides of issues, and so be able to comprehend the Central Committee's theoretical line on general and specific policies and be able to grasp the city's situation. By valuing quality over quantity and the elicitation method of teaching, in coming to understand fundamental principles, they must concentrate their efforts and correct thinking like "the farther from reality, the safer," which can lead to a battle between theory and practice. For example, when deciding how to regard the relationship between maintaining standards of production and maintaining the standards of party principles, we complete investigation and research concurrently with systematic teaching and engage in widespread and open-minded debate in the press, with each

airing his own views, until finally we have clearly discerned the dialectical unity between the two and we have increased our understanding of the basic principles of historical materialism.

4. Reforming the content and methods of teaching is an important issue in strengthening theoretical vitality.

It is extremely important that Marxism undergo great development, which is the clear understanding of this great historical trend. The great practice of reform and openness has given new meaning to Marxist theory and has caused theory to be brimming with new life and vitality. In order to deal with this new situation, we must reform the content of traditional theoretical education and promote a scientific socialist education that has been integrated with Chinese realities and has taken root throughout China, increasing the attractiveness of theoretical education. Reforming teaching methods is also a key link. First, have short term rotating training classes for every type of party school, and use a concentration of time, energy, and content to overcome obstacles. Second, separate the training classes for every type of cadre in order to better address individual and collective problems. Third, general lectures must emphasize practical follow-ups and use basic theoretical ideas to address practical issues. Fourth, take advantage of electronic teaching methods and combine pictographic characters and picture books in order to strengthen the emotive and persuasive powers of theoretical education. Fifth, make full use of typical reform cases when teaching reform, use typical cases of honest government when lecturing on honest government in order to improve the credibility of theoretical education. Sixth, combine words with action and do what you say you are going to do in order to heighten popular trust for theoretical education.

5. Strengthening the control mechanisms, and bringing theoretical education into line with scientific management are the ways to guarantee successful theoretical work.

Theoretical education of cadres at their posts, apart from establishing and perfecting a motive mechanism for strong action and increasing the attractiveness of theoretical work, must also establish and perfect a correspondingly appropriate control mechanism to ascertain an organizational implementation of theoretical work. For several years, when we have implemented the Party central document 1984 (26), there followed two more writings containing requirements; generally they were for regulating units and individuals who have not completely adopted theoretical education responsibilities, units and individuals who could not be categorized as modern and progressive. Most were comrades who ought to, but had not yet participated in theoretical education regulation, and they were not fit to work in party and government organizations. It was necessary to utilize cadres' theoretical studies as a means to judge them; furthermore, we established a plan for cadre theoretical study and made announcements of when cadres must participate, be tested, and be evaluated. When listing the

top-scoring governmental and working cadres, their theoretical studies accomplishments were emphasized. With acceptance and support for this system, we regulated the widespread participation of cadres in these studies and focussed their enthusiasm.

Liaoning Democratic Party Holds Meeting

*SK2612054589 Shenyang Liaoning Provincial Service
in Mandarin 2300 GMT 24 Dec 89*

[Text] From 20 to 22 December, the sixth Liaoning provincial committee of the China Association for Promoting Democracy held its sixth enlarged plenary session to conscientiously study the guidelines of the second plenary session of the eighth National Committee of the China Association for Promoting Democracy and the guidelines of the ninth plenary session of the sixth Liaoning provincial party committee.

Participants at the session maintain that the political struggle during the spring and summer of this year has further strengthened the conviction of the members of the provincial committee of the China Association for Promoting Democracy to support the Communist Party leadership and follow the socialist road.

The session called on the provincial associations for promoting democracy and their members to clearly understand the situation, unify their thinking, bolster their spirits, strengthen their confidence, realistically improve self-cultivation, and contribute to socialist modernization, improvement, rectification, and the advancement of reform.

Liaoning Libraries Double Since 1979

*OW1412181989 Beijing XINHUA in English 1043
GMT 14 Dec 89*

[Text] Shenyang, December 14 (XINHUA)—Northeast China's Liaoning Province now has 120 libraries, twice the number in 1979.

According to Wang Xiaolong, library division chief under the provincial cultural department, the libraries have 15 million books and have offered more than 3,000 services over the past two years.

Wang said that every county in the province now has a library and more are planned.

Preliminary Analysis of Taiwan's Election Situation

90ON0046A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 236, Sept 89 pp 55-57

[Article by Nan Fangshuo (0589 2455 2592): "Preliminary Assessment of Taiwan's Election Situation—Taiwan's elections at the end of this year are the first elections since the passing of President Chiang Ching-kuo and the one-party political system; the situation is tenser than ever before. The results of the election will decide a new political distribution ratio; apart from the all-out war between the ruling and opposition parties, what other difficulties will the KMT face? What plan of attack does the Democratic Progressive Party (DPP) have?"]

[Text] As 2 December draws nearer and nearer, Taiwan's electoral atmosphere is getting tenser. Because of the historical significance of this year's election, one can predict that the election situation will be extremely volatile. There are three reasons for the unique historical significance of this election.

Three Major Characteristics of the Yearend Elections

1. This election will be the first since Chiang Ching-kuo passed away. Chiang Ching-kuo was the last strongman; during the time he controlled the government, he was able to use his unique power to unify Kuomintang [KMT] internal elements as well as build an orderly government, but the problem with that government is that it completely disappeared after Chiang Ching-kuo's death, and Taiwan became a society in which no one fears anyone and no one obeys anyone. When the original political order began to disintegrate, the KMT's internal unity also disappeared gradually, and authoritarian rule began to relax. To what degree it will ultimately relax will be determined by the yearend elections.

2. This is Taiwan's first formal election with competing political parties. In the elections 2 years ago, even though the DPP had already been formed, it had not yet been legalized. Now the DPP and other political parties have emerged and Taiwan has entered the era of party politics. Therefore, theoretically, this year's elections will determine for a time the "political distribution ratio." If the KMT loses big this year, this would confirm that its rule will quickly collapse. Because of this, the KMT naturally will fight with all its might. As for the DPP, in order to take advantage of this historical opportunity to expand, they too will naturally brave enemy fire to invade; thus the election can be expected to be a heated contest.

3. After Chiang Ching-kuo passed away, Taiwan's society underwent a vast structural change. Day by day, social movements of all kinds sprouted and flourished, and all the political taboos were overturned. During these elections "Taiwan independence" will be a publicly expressed idea and campaign slogan. To what extent these noises of opposition will affect things will be examined during the election.

Because of the special nature of this year's elections, in the past six months Taiwan's entire government has

focussed its attention on the elections. The KMT is working to create a new political spirit in order to improve its chances in the election, and its chief competitor, the DPP, intends to use every avenue of resistance to broaden its political resources and go step by step down the road to political power.

Because the two principle political parties' candidates have already been largely decided on, a basic order of battle has already appeared. It can be seen from this order of battle that it is inevitable for the two rival candidates to be nominated by their respective parties. These powerful battle lines suggest that the yearend elections will be a tense situation. Because the two sides are squaring off on such a variety of issues, this article will discuss not the details of each issue, but rather the changes in the two parties' organizations and a prediction of what influence they might have on the election's outcome.

The KMT Faces a "War for Survival"

Turning first to the KMT, since that party keenly understands that this election is a "war for survival," they have expended the utmost energy right from the beginning in planning for it. In order to promote its democratic image, it relied on "primary elections" within the party to determine the candidates, but contrary to expectations, not only have the KMT's primary elections not served their purpose, they have rather caused the beginnings of the loss of internal unity. The KMT's gradual disintegration will certainly have a deleterious effect on the party's election standing.

From the standpoint of its political power structure, the KMT is a conglomeration of a central authority and many local factions. Nearly every town and district in Taiwan has a few local factions. "Regionalization" is one of the KMT's most effective means of exercising political control. By distributing regional cliques, the KMT was able to establish a political system that stretched, whiplike, from the central government out to every district. However, a great crisis has arisen because of this factionalized political system. The reason for this crisis is that while the KMT was run by a strongman it was easy to keep the party in order, but this year they have lost this top-down power to impose order. Therefore, the factions have started jostling for power in internal party elections. In addition to the cliques' jostling for power, there have been many incidents of rebellion among faction members or KMT personnel, and in many districts there have been incidents of KMT members collectively resigning. The phenomena of complete dissolution of internal order and the publicizing of internal strife indicate that the KMT can no longer keep control of its members and so is falling apart.

Attacked From the Front and Rear, the KMT's Outlook Is Grim

The KMT's candidates were recently announced on 16 August. As could be predicted, the level of internal dissatisfaction has been rising as a result. This KMT "revolt from within" will gradually ferment as the

year-end election approaches and there may even be mass "desertions to the enemy." It is difficult to predict yet just how much damage the KMT will suffer as a result, but it is not at all unlikely that the infection will spread.

It is common knowledge that the KMT claims to have 2.5 million members, but in reality the relationship between the KMT and its members is a tenuous one; most party members joined only for personal advantage or to curry favor, and they lack a meeting of the mind with the party, so factional loyalty has naturally become stronger than loyalty to the party. Formerly, because a strongman was in control, party loyalty still overrode factional loyalties, but this year it is the loyalty to factions that challenges party loyalty for dominance.

From this it can be seen that the KMT basically has no relationship of so-called pan-party loyalty with its members and factions, but only a relationship of using each other—local party members provided the KMT with a foundation of legitimacy, and the KMT central authority in return distributed benefits to the various districts. Presently, the KMT central authority can no longer satisfy regional factions or party members, so opposition of all kinds has emerged. Very recently, some KMT party members indicated that they might go so far as to disregard the party's internal elections, and the consequences of this are hard to predict.

In addition to the problem of KMT faction rebelliousness versus loyalty to the central party, since the KMT's internal elections were actually a contest and the participants of those elections made accusations about each other, aired dirty linen and slandered each other, the internal unity of the KMT suffered great damage. The winning candidates in the internal elections are already facing a boycott within their own party before competing with the DPP. Faced with internal disintegration and public opposition, it is not too hard to see that for the KMT this year's election is, in fact, a war with many fronts; they must shore up their internal unity and also deal with the DPP's call to arms.

Quite a few of the reasons for the KMT's electoral problems are related to organizational problems that were never solved, the chief of which is the question of representatives who have not retired after 40 years. But this is an old question, and perhaps it is more worthwhile to focus on some newer questions, such as the fact that in the last two years the gap between rich and poor has grown ever greater, the quality of life has declined, and the cost of housing has grown day by day. These problems during the past two years have already given rise to several social movements born of dissatisfaction, and certainly these movements will result in a reduction in votes cast for the KMT.

To deal with this sort of problem in the upcoming election, the KMT must fortify its defenses and consolidate its every position before advancing its troops. The DPP is the aggressor whose strength lies not in planning every skirmish but in creating in the election a "revolutionary impact."

The DPP's Election Strategy and Goals

Despite sharp and continuing disputes between two factions within the party, the DPP does not have the election problems that the KMT does because their human and financial resources are so limited. The two major factions—the Beautiful Island faction and the New Wave faction—each by virtue of their talents struggled within the party and then competed publicly. Even though DPP star Chu Kao-cheng [2612 7559 2973] has publicly broken with Huang Er-hsuan [7806 3643 3872], another New Wave faction member, this sort of dispute cannot develop into internal disunity. In other words, when the sum total of all aspects of the election is considered, the DPP has a basically intact structure while the KMT is facing a great crisis of disintegration, and already occupies an unfavorable position. Thus, it is quite difficult to view the KMT's electoral situation favorably.

Participants say that the DPP's strategy has two planks:

First, to create a fighting spirit is the main goal, and to achieve that goal they must emphasize the elections in the districts of enthusiastic mayors and county magistrates and fiercely combative legislators. If only they can create this fighting spirit in these districts, the DPP's other candidates could then easily reap the fruits of their efforts.

Second, it is said that in order for the DPP to build its reputation, it has already established its 10-point proclamation, as well as various previously banned "secret weapons."

As can be seen from the elections of the past few years, there is no set rule for the division of power; it is set according to the type of election. In the county magistrate and mayoral elections, which are contested on a one-to-one basis, if an opposition party can put up a candidate, they can usually get 30 to 40 percent of the vote among the common people. As for legislative elections, since they are many against many, the atmosphere of the elections is correspondingly friendlier, and most opposition parties can win only 20 to 30 percent of the vote.

Aside from the influence that different kinds of elections have on the voting, because Taiwan's majority party government is new in the past two years, the "party loyalty" of the electorate was not clear previously. However, this situation had already changed during the previous legislative elections; at that time a semilegal DPP already existed and the electorate's party loyalty had begun to emerge, and the opportunities for independents were correspondingly reduced. Furthermore, the votes that the DPP is getting from these former independents are approaching 30 percent. During the upcoming elections, because there will be county and city elections, this level of enthusiasm could occur only once in 12 years (Taiwan's county magistrate, mayoral, and provincial assembly elections are held once every four years, and the Legislative Yuan elections are held every three years, so only every 12 years do they all coincide). In the past, when this sort of situation existed, the opposition parties tended to benefit. In view of these conditions, it

is generally predicted that the DPP will get increased votes in this year's elections.

The DPP's current chairman, Huang Hsin-chieh [7806 0207 0094], confidently states that the DPP's goal this year is to win 10 offices at the county and mayoral level, 25 seats each in the provincial assembly and the Legislative Yuan, 15 seats in the Taipei city council, and 10 seats in the Kaohsiung city council. Huang Hsin-chieh's goals are obviously a little inflated, but owing to this year's "unpredictable factors," it is difficult to estimate the election outcome in advance; just how significant is the electorate's dissatisfaction with the KMT? Just how much impact will the wild enthusiasm of campaigns at the county and town level have on those elections? Just how many votes are there in Taiwan's social movements of dissatisfaction of the past two years? And so forth. If the DPP's strategy is correct, it is not impossible for them to achieve 64 or 65 percent of the vote. According to DPP statements, if their votes do not show an increase this year, they will consider it a great failure.

The Most Powerful Assets and Gambling Chips of the Party in Power

If the KMT can win 70 percent of the vote in this year's elections, this would be considered a great victory; 65 percent would be only a minor defeat, and if its share fell to 60 percent, it would be a major defeat. For this reason, high-level KMT officials have indicated that in this year's elections the KMT must "fight every inch of the way"; if they can get past this year's difficulties and there are no apparent political problems on the horizon for the next three years, the KMT can then regroup and plan its next steps. Otherwise, it will be unable to thoroughly regroup. Thus, this year's elections are really a battle for time.

The most effective resources and gambling chips which the KMT possesses are:

1. Li Teng-hui is the first Taiwanese president, and by Eastern political standards, he has the "mandate of heaven" to rule. Therefore, even KMT secretary general Sung Ch'u-yu publicly admits, "Our greatest resource is Li Teng-hui." Because Li Teng-hui occupies such an advantageous historic position, his assistance in the election would naturally be very effective. Recently he has been traveling all over for more than a month with the intention of helping out in the yearend elections, and it is likely that his election activities will increase.

2. Since the KMT is the ruling party, it can benefit itself through political policy. It is said that before the end of the year the KMT will introduce a series of policies designed to attract the voting public and to rebuff the verbal attacks of opposition candidates; these policies will include liberalizing rules concerning wealth and financial management and cracking down on corruption.

3. The KMT has the greatest financial resources. For over a year they have been cultivating industry and commerce in the hopes of using them as a new power base to support KMT candidates.

4. The KMT has all kinds of jobs to offer, which it can use to dissipate internal opposition. It is likely that the KMT will devote all its energy from August to October to taking care of internal rebellions. If it can quell the internal rebellions, it can then carry on with the war against the DPP.

In truth, the DPP is also facing some tests this year. It is said recently that just the shortage of election workers alone can make the DPP candidate situation a serious disadvantage; little wonder that people are saying of this year's elections that DPP's condition is very good, but "the harvest sickle is not quite sufficient to reap an election."

The 2 December vote will be a historic election and will be an election on a grand scale. Although there are a number of small parties promoting their candidates, these parties do not possess "historic" stature. Therefore, this election appears to be a confrontation between two parties that will determine for a time Taiwan's political direction; can it not truly be called an "epochal election"?

General Description of Taiwan Yearend Elections, 1989

Type of Office	Total Seats	KMT Candidates	DPP Candidates	DPP Goal
County magistrates and town mayors	21	20	14	10
Legislative Yuan	101	71	53	25
Taiwan provincial assembly	77	53	33	25
Taipei city council	51	44	21	15
Kaohsiung city council	43	34	20	10
Total	293	222	141	85

Notes: Since many districts are still finishing up, DPP's total candidates may increase. There are also a number of smaller parties with candidates. The Workers Party has one mayoral candidate, two Legislative Yuan candidates, and one Kaohsiung City council candidate; the People's Social Party has 10 candidates for the Legislative Yuan and four for the provincial assembly; the Labor Party has one candidate for the Legislative Yuan; United China Party has a candidate for Taipei city council; the Chinese Justice and Peace Party has two candidates for Taipei city council; the Chinese Republican Party has a candidate for Legislative Yuan; the China Youth Party has a candidate for Legislative Yuan; the United Party has a candidate for Legislative Yuan and a candidate for Taipei city council; and the China Self-Reliance Party has a candidate for the provincial assembly.

Vote Buying Linked to Erosion of Public Order

90ON0226B Taipei TZULI WANPAO in Chinese
17 Nov 89 p 5

[Article by Taiwan Assemblyman Su Chen-ch'ang (5685 6297 2490): "From Buying Votes To Buying Guns To Buying Lives"]

[Text] A few days ago, two candidates for public office were shot and stabbed in succession. They are in extremely critical condition. Everyone is in an uproar

about social order in Taiwan being in a serious state of "collapse," and they feel bitter about it.

Analyzed coldly, why has this happened?

1. Everyone knows that vote buying is a common practice in Taiwan, so much so that it is done almost openly. There is even an "equitable" division of "responsibility areas" whereby you buy this area and I buy that area, neither of us infringing upon each other's territory. The purchase price of a vote is also standard, and very "fair;" therefore, some people ridicule the government's propaganda about the campaign being "open," "equitable," and "fair" as really meaning "open buying of votes," "equitable division of areas," and "buying votes at a fair price."

2. Everyone know that vote buying is rampant. But, because the number of people who have been convicted and sentenced for election bribery has become fewer and fewer for many years, and because in many of the sensational election bribery cases severe sentences meted out in a first trial are rendered an innocent verdict upon retrial, or a great uproar occurred for a time only to having nothing happen, the public realizes clearly from its experience that the government basically has no interest in investigating election bribery. It cannot stop vote buying, so naturally the buying of votes becomes more and more rampant.

3. Being able to buy votes is tantamount to being able to buy a "person's heart." Not only are those who buy votes not punished, but they become county magistrates and

representatives of the people's will who strut around their village, or even turn to using their official positions for private gain, earning back many times over the money they spent to buy votes. People take all this in, and naturally they learn from it, those below following the example of those above.

4. Those who have the means buy votes, hold official positions, and lord it over the villages. Those who enjoy fewer advantages buy guns or knives to arm themselves, and they also lord it over the villages.

5. If a "person's heart" can be bought, naturally a "person's life" can also be bought. Since a vote may be bought for a certain price, naturally the price of a life can also be negotiated. Why shouldn't public order in Taiwan be bad? Think about it. Who started it all? Who ruined the atmosphere?

6. More ridiculously, those in government positions and those in charge of public order do not engage in self-examination; they actually exclaim shamelessly that they "can borrow a bulletproof vest," or they can "provide bodyguards." If things go on this way, the day may come when candidates will have to wear steel helmets and armor to run for office. But what are the good and honest common people to do?

There is an old saying that "when things rot, bugs appear." Without clean elections, and without clean government, if everyone resorts to force and trickery, how can society be peaceful?