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GENERAL

U.S.-Soviet Arms Control Negotiations Since Iceland Summit

40050019 Beijing GUOJI WENTI YANJIU
[INTERNATIONAL STUDIES] in Chinese
No 4, Oct 87 pp 3-8

[Article by Ye Ruan [0673 1172 1344]: "The Bumpy Road to an INF Agreement"]

[Text] It has been almost a year since the Reagan-Gorbachev summit meeting in Iceland. During this year, the United States and Soviet Union have held wide-ranging arms reduction talks in a multitude of areas and levels. How much progress has been made? What is still keeping the two countries apart? What factors prompt both superpowers to search for some kind of agreement even as they continue their arms race? Will a treaty on intermediate-range nuclear forces [INF] speed up other arms reduction negotiations and prevent a new round of arms race? This article proposes to summarize and analyze these issues, which have attracted international attention.

INF Negotiations—From "Europe Zero" to "Global Double-Zero"

Of all arms control negotiations between the United States and Soviet Union this year, it is INF negotiations that has been the most noteworthy and made the greatest progress. Thus far it can be divided into four stages:

Stage One: Soviet Union "decouples"; the West tries a "linkage" approach

In a departure from his "package deal" approach, Gorbachev announced on February 28 that he was willing to sign a separate agreement with the United States eliminating medium-range guided missiles from Europe, in accordance with the agreement in principle reached at Reykjavik under which both sides were to totally eliminate their medium-range missiles (1,000 to 5,000 kilometers range), while each keeping 100 intermediate-range warheads in Soviet Asia and the United States, respectively. But the United States and some Western European nations soon demanded that given the overwhelming advantage the Soviet Union would have in shorter-range missiles (500 to 1000 kilometers range) following the elimination of intermediate-range missiles from Europe, reductions in shorter-range missiles must also be made by the Soviet Union. Moreover, they asserted that the United States should be allowed to maintain a global parity with the Soviet Union. The Soviet Union reiterated its willingness to freeze its nuclear forces at the present level and open negotiations immediately. At that point, many leading figures in the United States, both private individuals as well as officials, openly voiced opposition to the "Europe zero" option and even called for linking an INF agreement to redressing the imbalance in conventional forces in

Europe and the disparity in chemical weapons. The objective of the "linkage strategy" of the West was to extract more concessions from the Soviet Union. As a result, the INF negotiations, which had just shown some promising signs, were again stalled.

Stage Two: The Soviet Union unveils its "second zero option," sending the West into a flurry of consultations to work out a joint stand.

In mid-April, Gorbachev told U.S. Secretary of State George Shultz, who was on a visit to the Soviet Union, that Moscow was willing to incorporate in the INF treaty an obligation to totally eliminate offensive tactical guided missiles (that is, shorter-range guided missiles) from East Europe within a stipulated period (1 year). This new Soviet proposal completely took the United States and West Europe by surprise. All Shultz could do at the time was to say that he must consult with American allies before he could make a response. Briefing the NATO allies in Brussels on 16 April, Shultz gave them three options: one, reject the Soviet proposal; two, insist on the right to build up short-range missiles to a level equivalent to the Soviet's, or convert some Pershing II guided missiles into shorter-range missiles; and three, accept the Soviet Union's "double zero option."

From mid-April to early May, the governments of most major West European nations either rejected the Moscow's "second zero option" or expressed misgivings about it. FRG Chancellor Helmut Kohl turned it down on 7 May and again on 15 May. Instead, he suggested that any INF treaty "must cover all nuclear weapons with a range from 0 to 1,000 kilometers," (the so-called "third zero option"). During a visit to the United States in April, French Prime Minister Chirac raised objections to getting rid of all shorter-range missiles and expressed support for increased U.S. deployment of this kind of missile. French Defense Minister Giraud called the U.S.-Soviet INF treaty the "new Munich." British leaders too stressed that any INF agreement must take into account Soviet superiority in conventional forces and chemical weapons.

The situation changed dramatically from late May onward when West European nations echoed one another in voicing qualified support for the "Europe double zero option." This change was mainly caused by these factors: 1) On 14 May the British government issued a statement accepting the Soviet proposals if certain conditions (adequate verification procedures, "global zero") were met. Western observers attributed this to the desire to position the Conservative Party advantageously for the general election called ahead of time. Another consideration was the "special" relationship between Britain and the United States. 2) After several cabinet meetings, French President Mitterand expressed guarded support for the "double zero option." 3) In the FRG, there was widespread support among members of the public and in the opposition parties for a U.S.-Soviet accord. The victory of the Free Democratic

Party in local elections in Hamburg and Rhineland-Palatinate on 17 May deprived the Christian Democratic Union [CDU] of its overwhelming majority in Chancellor Kohl's hometown (which happens to have the largest number of U.S. nuclear weapons deployed), the first time this had happened in 16 years. Kohl admitted that the "zero option" was one of the things that caused the CDU a significant number of votes. 4) The United States had been quietly pressing West Europe to accept the "double zero option."

Stage Three: "Europe Double Zero + 100" and "Global Double Zero"

The Soviet Union insisted on keeping 100 intermediate-range guided missiles in Asia while balking at the U.S. demand that it be allowed to deploy an equal number of warheads in Alaska. The Russians claimed that "double zero + 100" was a unique compromise because American nuclear missiles in Japan, South Korea, and the Philippines constituted a threat to the Soviet Union. The U.S. expressed the hope that neither side would keep the 100 warheads so as to facilitate verification, but said that if Moscow insisted, it was prepared to keep them for the time being. However, the NATO foreign ministers' meeting on 11 June unanimously demanded that medium- and short-range missiles be eliminated on a global basis. Countries in Asia and the Pacific such as China and Japan also urged the superpowers to treat intermediate-range missiles in Asia in the same way they treated those in Europe. The ball in INF negotiations was back in the Soviet court.

Stage Four: "Global Double Zero" and Pershing IA missiles

Under combined pressure from Europe and Asia, and with his country and the United States deadlocked on the question of where the United States could deploy medium-range missiles on American soil, Gorbachev finally made concessions on 22 July by agreeing to the "global double zero option." One week later, the U.S. government formally notified the Soviets that the United States pledged neither to convert Pershing II missiles nor to transfer cruise missiles to naval vessels. At this point it looked as though an INF treaty were in the offing. But differences on the Pershing IA missiles reappeared. Moscow demanded that the United States remove nuclear warheads under U.S. control that had been mounted on the 72 Pershing IA missiles in the FRG. The United States contended that as the weapons of a third nation, these missiles fell outside the scope of U.S.-Soviet bilateral negotiations and were instead a matter of U.S.-German bilateral defense cooperation. Warheads and guided missiles, they argued, were an integrated whole and could not be separated. In early August, the Soviet foreign minister traveled to Geneva where he sought to put pressure on the Germans in his various speeches. He also held talks with the chief U.S. arms control negotiator, Max Kampelman. Both parties

expressed the need to speed up negotiations and overcome the final stumbling blocks. Meanwhile, Reagan sent Frank Carlucci, his national security adviser, to Bonn to consult with the Federal German government. On 25 August, the United States put forward a new proposal to simplify the verification procedures in the INF treaty, relaxing its position on on-site verification. The next day Chancellor Kohl announced that "if the United States and Soviet Union work out and put into effect an INF treaty that would ultimately do away with all medium-range missiles, Bonn pledges not to modernize and may even scrap its Pershing IA missiles." In mid-September, the Soviet foreign minister and the U.S. secretary of state reached an agreement in principle on the basis of mutual concessions. The stage was finally set for the conclusion of an INF treaty.

Impasse in Strategic Nuclear and Space Weapons Negotiations

This area is "basic" to the U.S.-Soviet military balance and their future long-term struggle for strategic superiority. Both sides hung tough during the negotiations, refusing to compromise on such matters as individual (separate) quotas, the limit on throw weight, and mobile guided missiles. Apart from reaching a consensus on the methods of calculating and limiting heavy bombers and machine-transported weapons, no substantial progress was made in the year.

The worst sticking point here is the Soviet insistence on making an agreement on space and defense systems an "absolute precondition" for reducing strategic nuclear weapons, declaring that "never could the two be separated." Meeting with George Shultz in mid-April, Gorbachev proposed that the two countries work out a package deal of "key provisions" to reduce offensive strategic weapons, strengthen the Anti-Ballistic Missile [ABM] Treaty, and ban nuclear testing. On 5 May, the Soviet Union made a formal proposal in Geneva. On 29 July, it produced a draft treaty to amplify the ABM treaty and prevent the arms race from spreading to space. To limit America's Strategic Defense Initiative [SDI], the Soviet Union made some tactical adjustments. It said that provided the two sides did not withdraw from the ABM Treaty for 10 years, they could work out an inventory of installations that would be allowed to enter or be excluded from space and decide the kind of SDI research that could be conducted within the laboratory, that is, on earth, whether in a research institute, on a base, or in a factory. Apparently the Soviet Union understood that a total ban on SDI research and testing was neither feasible nor compatible with Soviet needs. As far as space weapons were concerned, not only did the United States refuse to budge at all, but it actually hardened its position over time. To give the green light to SDI testing this year and next and to prepare for the early deployment of space weapons in the early 1990's, the United States decided on a broad interpretation of the ABM treaty in early 1987 and notified the Soviet Union accordingly. Subsequently, it lengthened from 5

years, as stipulated in the ABM treaty, to 7 years the time limit for a 50 percent reduction in offensive strategic weapons, while reducing from 10 to 7 years the length of time it would continue to abide by the treaty. In addition, some Americans who championed the accelerated development of space weapons urged the president to make an immediate decision regarding the early deployment of the SDI system. Only intensive opposition at home and among its allies forced Reagan to put off making a decision.

Negotiations To Reduce Conventional Forces: Latest Moves

Talks to reduce conventional forces in Europe are multilateral negotiations, but as leaders of the two major military blocs, the United States and Soviet Union are undoubtedly the most important players. Fourteen years after they began, the mutual and balanced force reduction [MBFR] talks on Central Europe had produced absolutely no results and actually came to an end early this year. As U.S.-Soviet INF negotiations made steady progress, raising the prospect of an imminent agreement, the question of Europe's conventional forces assumed more prominence. After more than 6 months of consultations and informal discussions involving all sides, it was unanimously agreed to open disarmament talks covering the whole of Europe on the basis of certain trust and security measures reached at the Stockholm disarmament conference in September last year. The number of participating nations increased from 11 to 35 and the scope of the talks was also broadened from the original 7 countries in Central Europe to include all Europe "from the Atlantic Ocean to the Urals." Negotiations were to proceed through two channels: the Conference on Security and Cooperation in Europe would discuss trust and security measures, while the 23 NATO and Warsaw Pact nations would tackle conventional forces reduction.

Currently the major differences are as follows: 1) While acknowledging the existence of a certain conventional asymmetry, the Soviet Union and Warsaw Pact contend that there is a rough parity in conventional forces. The way to redress the imbalance, they argue, is for the side with more forces to cut back, rather than for the other side to expand its arsenal. The United States and NATO, on the other hand, point to the Soviet and East Europeans' overwhelming conventional superiority and argue that eliminating this superiority should be the primary concern of future negotiations. 2) The Soviet Union and Warsaw Pact propose that conventional forces reduction negotiations include tactical nuclear weapons and that all countries with this kind of weapons as well as the United States take part in the talks. Clearly this is intended to force Britain and France too to cut back on and even eliminate tactical nuclear weapons. As long as the other side retains its conventional edge, the West must beef up tactical nuclear weapons. This puts the FRG in a quandary. On the one hand, it worries that once the United States and Soviet Union remove all medium- and shorter-range missiles from Europe, the

Soviet Union's short-range missiles in East Europe would all be aimed at the FRG. Hence its hope that the superpowers would also get rid of all their short-range nuclear weapons in Europe. On the other hand, the FRG will inevitably take the brunt of the burden in case of a conflict in Europe between the two camps, whether conventional or nuclear. Bonn also hopes that the United States would keep and improve its tactical nuclear weapons on German soil to counterbalance Moscow's superiority in conventional and tactical nuclear forces.

The European disarmament negotiations have not yet begun, but each country has taken a stand based on its own interests.

The Bumpy Road Toward Banning Nuclear Testing

Since the United States, Soviet Union, and Britain suspended their talks in 1980 to achieve a total ban on nuclear testing, this matter has remained a bone of contention in arms control between the United States and Soviet Union. In bilateral discussions and at the 40-nation disarmament conference, the Soviet Union did everything it could to force Washington to begin substantive negotiations on reaching a total test ban treaty. The United States stressed that such a treaty was a long-term goal, but said that before deep arms reductions were achieved and verification procedures perfected, the United States must continue nuclear testing to maintain a reliable effective nuclear deterrence.

In an attempt to influence international opinion and coax the United States into banning testing, Moscow imposed a unilateral moratorium on nuclear testing in August 1985, which was subsequently extended three times until late last January, only to be categorically rejected by the Reagan Administration time and again. This is because the development of space weapons requires nuclear testing of a small destructive force. Moreover, the new generation of U.S. strategic nuclear weapons will be entering the crucial stage of testing and deployment in the next few years. After failing to persuade the United States to join in, the Soviet Union resumed testing on February 26 and had conducted 15 nuclear explosions by mid-August, a near-record for the past few years. Meanwhile, the United States has conducted 11 nuclear tests.

At the Iceland summit, the Soviet Union proposed that the two sides open negotiations on the verification issue, the 1974 and 1976 treaties, and the TNT equivalency and frequency of nuclear explosions, with a view toward working out a total test ban. This year the Soviet Union again put forward concrete suggestions limiting TNT equivalent to below 1,000 tons and the number of explosions to two or three times a year. To extricate itself from its passive position on this matter and improve its image, the United States too made some tactical changes. But while it agreed to negotiate explosion frequency

and TNT equivalents, it was on verification that Washington tried to embarrass the Soviet Union. By mid-July, experts from the two sides had held six rounds of informal talks. Opinions were exchanged on such issues as the dispatch of experts to visit the other country and the installation of monitoring devices, but no agreement was reached on when to start formal negotiations. In mid-September, their foreign ministers decided that bilateral talks should begin before 1 December.

Further complicating test ban negotiations is its inclusion by the Soviet Union in the "package deal" as a ploy to frustrate American plans to develop space weapons and modernize strategic weapons. For its part, the United States also uses nuclear test ban negotiations as a way to force the Soviet Union to make major concessions on offensive strategic weapons. Because of their sharply contrasting positions, people hold out little hope for the future of nuclear test ban negotiations.

Negotiations to Ban Chemical Weapons Make Significant Progress

Chemical weapons are peripheral to disarmament talks between the United States and Soviet Union. After years of prolonged bargaining, the 40-nation disarmament conference in Geneva reached agreement on a majority of provisions for a draft treaty banning chemical weapons. This year the Soviet Union again made new concessions to show flexibility on some substantive matters; for the first time, it admitted that it had chemical weapons, agreed to disclose the locations where such weapons were kept, announced a unilateral ban on their production, and built factories and facilities for destroying its stocks. Moreover, the Soviets accepted British and American proposals on verification of a suspect nature and converted use, respectively. The United States, too, wanted to nudge the negotiations along toward a fruitful conclusion, but it hoped to squeeze additional concessions out of the Russians by resuming the production of binary chemical weapons.

By last summer, the countries had largely resolved their differences on the destruction and conversion of chemical weapons, the disclosure of storage locations, and nonproduction verification, among other things. In late August, the Soviet Union basically accepted the formula proposed by the United States 3 years ago concerning verification of a suspect nature, removing yet another hurdle. Still to be resolved are destruction procedures and the formation of a council.

Different Strategies, Different Needs

Reviewing disarmament negotiations over the past year, we notice that the United States and Soviet Union take quite different positions and approaches on arms control and disarmament issues. The Soviet Union launched a string of "offensives," making new proposals and offering a series of concessions. While it stood firm on key issues, its tactics were increasingly flexible. The United

States, on the other hand, played tough from beginning to end in an attempt to extract the maximum concessions from Moscow at a time when the latter needed a "breathing spell." What fundamentally accounts for this difference in United States and Soviet positions is their dissimilar national strategies under the new historical circumstances. Through its "accelerated" strategy of total reform, the Soviet leadership hopes to vitalize the domestic economy, improve its scientific and technological standards, and reduce military spending. Thus the Soviet Union is ready to ease international tension and improve its foreign relations, particularly its relationship with the United States. Not that Moscow has changed its strategic objective of competing with the United States in the long run. Nor is it reconciled to giving up its superpower status. It is just that it has adopted a different approach. Over the past 6 years, the Reagan Administration has consistently followed a strategy of "competition" (or "race") toward the Soviet Union in order to wear the latter out. It elevated the arms race to the level of a national security strategy, which was to offset whatever quantitative advantage the Soviet Union has with America's technological superiority, and force it into a high-level arms race in order to exhaust its resources and retard its economic growth.

If the two sides are diametrically opposed to each other, why have varying degrees of progress been made in the arms control talks, with possibly an INF agreement in the works? There are varied reasons. First, both the United States and Soviet Union have a multitude of problems and difficulties at home and need an arms control agreement to shore up their position, particularly in the case of the Soviet Union. Second, both sides sense that time is running out, that they must grasp every minute to work things out. In the United States, a presidential election is looming on the horizon. In the Soviet Union, reform is reaching a critical juncture. If they miss this opportunity, neither side stands to gain. Third, the international community is putting increasing pressure on the superpowers to hammer out an accord as soon as possible and seriously fulfill their special responsibility to international disarmament. The final agreement by both sides to accept the "global double zero option" in an INF treaty has everything to do with the encouragement from East and West Europe and such Asian Pacific nations as Japan and China. In the reduction of conventional forces in Europe, neutral countries and nonaligned nations in that continent have played an active role. Fourth, medium- and shorter-range missiles account for just 3 to 4 percent of the American and Soviet arsenals of nuclear warheads. Eliminating them will not affect the overall military balance between NATO and the Warsaw Pact.

Two Trends: Quantitative Reduction and Qualitative Competition

Since the beginning of the 1980's, both disarmament negotiations and the arms race between the United States and Soviet Union have entered a new stage, as

marked by these shifts. Instead of setting high numerical quotas for arms control, as it did before the 1970's, the former now aims to decrease and destroy some nuclear and conventional weapons. The latter has entered a qualitative competition in all kinds of weapons revolving around high tech. Both the United States and Soviet Union are reconciled to negotiating arms cuts (even deep cuts) not because they are prepared to slow down or halt the arms race to promote international security, but because of the following reasons. 1) In both countries, conventional and nuclear arsenals have exceeded the saturation point. Each possesses enough weapons to inflict horrendous damages and fatalities, a capability which will only increase in the wake of scientific and technological advances. Each realizes that while a hefty military budget may buy a measure of superiority in certain areas, it will not affect the overall military balance between them. 2) Many weapons systems deployed in the 1960's, along with a few deployed in the 1970's, have become obsolete and outdated. They are expensive to maintain even as their practical value steadily declines. The agreement by both countries to cut strategic weapons by 50 percent precisely testifies to the large magnitude of weapons that can be retired. 3) The application of high tech, now developing by leaps and bounds, to the research and production of new weapons and the improvement of existing weapons will lead to much more powerful hardware with an even greater deterrence. This will go a long way toward offsetting any numerical reductions. 4) Economic and financial difficulties in both countries are yet another important factor that has given impetus to disarmament negotiations. The Soviet economy has stagnated since the mid-1970's and has almost reached crisis proportions in recent years. The allocation of huge amounts of human, material, and financial resources to the arms race with the United States has undoubtedly been a drag on its national economy. As for the United States, the Reagan Administration vastly increased military spending a few years ago at a time when the federal budget deficit, foreign trade deficit, and international payments deficit were going through the roof. Consequently, the U.S. Congress has slashed military expenditures 2 years in a row, deferring major weapons modernization plans in the three services by 1 to 2 years. Even SDI appropriations fell far short of what the Reagan Administration requested. As a result, the departments in charge had no choice but to scale back their original programs to preserve key research and testing projects.

All things considered, it is better to have the United States and Soviet Union reducing their arsenals and destroying some nuclear and conventional forces than to have them engaged in an arms race. That will help ease international tension and improve their bilateral as well as East-West relations. But an arms control treaty that prescribes mere quantitative cuts unaccompanied by restrictions on qualitative improvements and the development of new weapons will not be able to check the arms race effectively. The public notices nervously that even as the two superpowers discuss arms reduction,

they are going full steam ahead to modernize their weapons in an attempt to achieve military superiority or to deny the other side such superiority. The new round of qualitative escalation in the arms race manifests itself not only in the research and testing of space weapons, but also in the use of high tech to improve existing weapons and produce a new generation of weapons. Following the deployment of SS-25 land-based mobile intercontinental missiles last year, the Soviet Union has begun deploying SS-24 multiple-warhead mobile guided missiles. The United States has deployed 21 10-warhead MX guided missiles and plans to deploy 100 in all. Soon to be unveiled is the "Minuteman" mobile guided missile, a high-precision single-warhead missile. Moreover, the two superpowers are engaged in a fierce competition in nuclear submarine and anti-submarine technology. Reportedly the USSR has deployed four kinds of new nuclear submarines since 1983 and is in the process of producing another nine prototypes. A few years ago, the Soviet Union purchased from Japan's Toshiba Machine Co and Norway's Kongsberg Vaapenfabrikk sophisticated machinery to mill propellers for submarines. As a result, Soviet submarines have become much more quiet. In addition, much progress has been made by the Russians in such areas as cruising speed, depth, survivability, automation, and nuclear reactor technology, to the dismay of the United States. To preserve its lead, the United States proposes to spend \$100 billion in the next 10 to 20 years to build new attack submarines and anti-submarine aircraft. The United States is also studying new detection methods. Both the United States and Soviet Union are working to make their conventional weapons more advanced, precise and sophisticated, increasingly with the help of such state-of-the-art technologies as lasers and fiber optics.

Prospects: A Prognosis

Judging from the progress in U.S.-Soviet negotiations in recent years and their respective policies and objectives, we may speculate in a general way about the prospects of disarmament talks.

The Soviet Union's primary objective is to contain SDI. Then it wants to persuade the United States to join in a moratorium on nuclear testing. The Soviet strategy is to link the two issues with the strategic arms reduction talks. After the U.S. and Soviet Union agree to cut their strategic weapons by 50 percent, Moscow would press Britain and France to take part in the nuclear arms reduction process. It hopes that its conventional superiority will help it negotiate an end to all tactical nuclear weapons and gradually bring about the "denuclearization" of Europe.

The objective of the United States is to secure deep cuts in offensive strategic nuclear weapons and diminish or eliminate the Soviet lead in land-based intercontinental guided missiles, while maintaining its own superiority in submarine-launched guided missiles and strategic bombers. The American tactic is to isolate strategic arms

reduction, that is, decoupling it from the issue of space weapons. It does not totally preclude the idea of the two sides making concessions to work out a "package deal," but only on condition that the compromise will not get in the way of any future SDI-related testing and deployment. The United States will keep its tactical nuclear weapons and troops in West Europe to maintain the basic framework of the U.S.-European defense alliance. However, the modernization of nuclear and conventional forces and the sharing of more defense responsibilities by the allies may enable the United States to cut back on its forces in Europe as appropriate.

It is almost a foregone conclusion that the United States and Soviet Union will do their best to resolve their differences on some technical issues and conclude an INF agreement using the "global double zero option" before the year is out. For a time there will be optimism about disarmament and international tension will ease. But the INF treaty will do nothing to speed up other arms control negotiations between the United States and Soviet Union.

Next to an INF agreement, a treaty banning chemical weapons looks most promising. Many people believe such an accord can be reached within 1 to 2 years, but it is very possible that negotiations will drag on for a longer period. Not only will there be hard bargaining between the superpowers, but there are also other issues involving the vital interests of some nations. The United States and Soviet Union alone cannot dictate the final accord.

In the medium run, the two superpowers may reach a compromise on strategic arms reduction and the limitation of space weapons in the late 1980's and early 1990's. As far as strategic arms reduction is concerned, the two have reached an agreement in principle on major quotas. Each side has put its own draft treaty on the conference table and negotiations have entered a substantive stage. As for space weapons, they are studying relevant provisions in the ABM Treaty of 1972 in search of an interpretation acceptable to both to be used as a basis for drawing up a list of installations to be excluded from space and determining what activities should and should not be allowed in space. It does not look likely a package deal combining the two issues can be worked out during the remainder of the Reagan Administration.

It is also possible that in the next few years the two countries will hammer out an agreement limiting the frequency and TNT equivalents of underground nuclear testing, provided that testing technology and verification methods are further refined and that such an agreement will not prevent them from conducting the tests deemed necessary to their purposes. Still, the conditions for such an agreement may not be in place in the next few years. And even if an agreement is reached, its significance will be limited. Like the 1974 U.S.-Soviet test ban treaty (150,000 tons), this kind of treaty cannot really stop a superpower from developing nuclear weapons.

European disarmament negotiations are bound to be more difficult, complex, and long-drawn-out than disarmament talks on Central Europe. The scope of the negotiations is broader, and the substance more far-reaching. There are more participants, which differ tremendously in their state of military preparedness and interests. Thus an agreement drastically limiting the presence of the two military blocs may be a very remote prospect. On the other hand, it is possible that after fierce bargaining, the United States and Soviet Union along with some other nations concerned may put together an agreement under which the superpowers would agree to reduce some weapons of an outdated model and cut back on their forces in Europe in a token way. This kind of agreement will not upset the military balance between the United States and Soviet Union or that between NATO and the Warsaw Pact. Nor will it alter the military and political situation in Europe.

To sum up, the public attitude toward the U.S.-Soviet arms control talks is one of guarded optimism. While they do not expect too much from any agreement that may be reached, people are naturally opposed to a new round of arms race.

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International Ramifications of Iran-Iraq War Assessed

40050024 Beijing GUOJI WENTI YANJIU
[INTERNATIONAL STUDIES] in Chinese
No 4, Oct 87 pp 21, 23-28

[Article by Chen Jiang [7115 3068]: "Despite Efforts At Mediation, Iran-Iraq War Continues"]

[Excerpts] The Iran-Iraq War has gone on for 7 years since it broke out. It has inflicted tremendous damages on both sides, caused their peoples great suffering and misfortune, and seriously jeopardized peace and stability in the Persian Gulf. Not only are there no signs at present of the war coming to an end, but there is also the risk of internationalization as a result of superpower intervention. One cannot but feel gravely concerned.

The 7-year-old war has seriously impaired the two nations' economic bases, affected their people's lives, and directly impacted the situation in the Middle East.

Impact on Iran and Iraq

When fighting erupted in 1980, Iran was the second largest oil producer in the Persian Gulf after Saudi Arabia. Its oil industry was then recovering from the revolution and was operating at below the pre-revolution level. The plunge in world oil prices and Iraq's strategy of attacking economic targets have seriously affected Iran's oil revenues, which amounted to just \$12 billion in 1985 and about one half of that in the first half of 1986. During 1981-1985, Iran spent 60 percent of its gross national product on the war each year. According to

foreign news agency reports, the war had already cost Iran \$350 billion in economic losses. In 1986, the government ran up a \$16.6 billion deficit, inflation was rampant, and the country was in dire financial straits. In addition, the war has claimed numerous lives. Statistics show that over 600,000 Iranians have been killed or wounded.

Iraq, too, has suffered terribly from the war. Before the war, it had foreign exchange reserves totaling \$37 billion and a per capita income approaching \$3,000. After 7 years of fighting, Iraq is up to its ears in debt, its foreign exchange reserves close to exhaustion; a welfare state has now become a debtor nation. Estimates are that Iraq spends \$500 million to \$1 billion a month to finance the war. Currently the biggest customer on the international arms market, Iraq imported \$23.9 billion worth of weapons from 1981 to 1985, almost double that of Saudi Arabia, the second largest arms-importing nation. The 7-year-old war has killed or injured 400,000 Iraqis, which may be a smaller number than Iran's casualties but still accounts for 2.7 percent of the nation's total population.

Impact on the Middle East Situation

1. Impact on the gulf states. Geographically close to Iran and Iraq, the gulf states are small countries with relatively weak military forces. If the war widens, the six gulf states will bear the brunt of the burden. In recent years these countries have vastly increased their military spending, buying advanced weapons from the West, building up an effective defense system, and conducting joint military exercises to meet any contingency. Saudi Arabia and Kuwait support Iraq in the war and have given it \$40 billion in financial aid. They also export 300,000 barrels of war relief oil for Iraq every day. The war has been an additional burden on the gulf states, which have suffered two severe economic blows in recent years: the crash in oil prices and the serious threat to oil shipping lanes in the Persian Gulf. In 1986, the six gulf states suffered a 50 percent drop, or \$40 billion, in their oil revenues. Many infrastructural projects had to be suspended, the number of foreign laborers dropped considerably, and their economies slumped. The war has certainly had an impact on economic growth in the gulf states.

2. Impact on the Arab world. Every major political event in the Middle East almost inevitably results in a realignment of political forces in the region. The Arab-Israeli conflict has been the primary dispute in the Middle East. Because of the continuous expansion of the Iran-Iraq War, dissensions within the Arab world have become even more prominent, with a corresponding weakening in the anti-Israeli front. After the war broke out, Syria and Libya sided with Iran while other moderate Arab countries supported Iraq, resulting in a split in the anti-Israeli Arab ranks. The war has also consumed Arab forces, thereby providing a favorable opportunity for Israel to persist in its aggression and expansion in the

Middle East. Since the war erupted, Israel has launched a massive invasion into Lebanon, stepped up its annexation of the West Bank of Jordan, and concentrated on hitting out at the Palestine Liberation Organization [PLO], to name a few of the most flagrant instances.

U.S. and Soviet Intervention

The Iran-Iraq War has provided the United States and Soviet Union an opportunity to intervene in gulf affairs, an opportunity which both have seized to step up pressure and intensify their rivalry in the area. Deepening superpower military involvement further complicates the situation and introduces the risk of internationalizing the Iran-Iraq conflict.

U.S. policy in the Persian Gulf revolves around its interests in the region, which are twofold—the strategic interest of checking the Soviet Union's southward push and the economic interest of ensuring open unobstructed shipping lanes in the gulf for the outbound shipment of oil. To protect its interests, the U.S. has acted to stop the war from spreading and strengthen its relations with the gulf states to make them even more dependent on Washington, on the one hand, and combined intimidation and conciliation in dealing with Iran, which it is not ready to give up altogether.

As early as the Nixon era, the U.S. had come up with a "dual pillar" policy for the Persian Gulf, under which the United States was to bolster up Iran and Saudi Arabia to protect its interests in the area. During the Carter Administration, the pillar of Iran collapsed in the wake of the successful Islamic revolution and U.S. influence was booted out of that country. Upon assuming office, Reagan expressed his resolve not to let Saudi Arabia become another Iran. The outbreak of the Iran-Iraq War was a threat to U.S. interests in the region. Beyond beefing up its military presence near the gulf, the United States has intensified its armaments diplomacy, selling weapons to the gulf states to protect its interests and prevent Soviet infiltration and further escalation of the war. In October 1980, there were three U.S. aircraft carriers, 1,800 marines, about 200 shipboard aircraft, and 37 ships in and around the gulf. Moreover, the United States has increased arms sales to Saudi Arabia; only days after the war broke out, it sent four AWAC's aircraft to Saudi Arabia, followed by a radar warning system, fighter bombers, tanker aircraft, transport planes, "Stinger" missiles, and other sophisticated hardware. Meanwhile, the number of U.S. military personnel in Saudi Arabia also went up.

Oil shipping lanes in the gulf have been described as the "lifeline" of the Western economies. Countries along the gulf abound in oil, most of which is exported to Western Europe, Japan, and the United States. While Western Europe has become more self-sufficient in oil in recent years, its limited reserves means that it will remain dependent on oil from the Persian Gulf in the long run. If the Persian Gulf is lost, Western Europe will run the

risk of becoming dependent on Soviet oil. Thus it is imperative for the United States to protect the Persian Gulf at all costs. Back in 1982, Secretary of State Al Haig declared that the United States would not ignore the outcome of the Iran-Iraq War and warned Iran not to widen the war. In 1983, Reagan said that the "free world" would never allow the Strait of Hormuz to be closed. In 1984, he warned that U.S. military forces would intervene in the gulf if necessary.

U.S. Persian Gulf policy is internally contradictory, however. On the one hand, it seeks to strengthen its relations with the gulf states and protect its interests in the area. On the other hand, it wants to return to Iran. Contiguous to the Soviet Union, Iran as a monarchy had always been the outpost guarding against Soviet expansion to the south. With the fall of the Shah, longstanding U.S. influences in Iran totally evaporated. The Islamic revolutionary regime followed a policy of "neither West, nor East" and a vacuum was created in the country. The United States was concerned that the Soviet Union would rush in to fill the vacuum and that Iran would fall into Russian arms. In 1985 and 1986, it secretly sold weapons to Iran in the hope of using Teheran's influence to secure the release of American hostages held in Lebanon. Even more important, however, was America's long-term consideration that the sale of weapons might help pave the way for its return to Iran. This inconsistency on the part of the Reagan Administration not only seriously damaged its credibility within the United States, but also aroused the suspicion of its Western allies and widespread discontent in the Arab world.

In the first half of 1987, the Iran-Iraq War escalated rapidly and tension in the Persian Gulf had never been higher. The United States, too, stiffened its gulf policy. In April, Kuwait requested U.S. escorts for its oil tankers. Earlier, the Soviet Union had promised to lease three oil tankers to Kuwait and send military vessels to escort them. The entry of Soviet forces into the Persian Gulf threatened U.S. interests. Reagan declared that the gulf must not "fall under Soviet control." Secretary of State Caspar Weinberger also said that the United States would never allow Moscow to "have its way in the region." Subsequently the United States began escorting 11 Kuwaiti oil tankers, deployed a large number of military vessels, aircraft, and military personnel in the gulf, and created a "Middle East Joint Special Fleet Command." The level of U.S. military presence in the gulf, which represents the largest U.S. military buildup overseas in recent years, far exceeds what is required to ensure a safe passage for oil tankers. Instead, it is intended to prevent the Soviet Union from expanding its influence in the area, avert an Iranian victory, and repair the damage caused by its clandestine arms sales to Iran. But while the United States and Iran are locked in confrontation in the tense Persian Gulf at this moment, both act with restraint and try to avoid direct conflicts. Behind Iran's threats to blockade the Strait of Hormuz is the desire to stop Iraq from attacking Iranian oil installations and oil tankers and make the gulf states abandon

their support for Iraq. That would enable Iran to concentrate its troops on a ground offensive and overthrow Saddam Hussein's regime. For all Teheran's tough talk after the entry of American military forces into the gulf, Iran has moved very cautiously. The United States, for its part, has prepared all kinds of plans to deal with Iran, but it will not rush headlong into provoking a military conflict with Teheran.

The Soviet attitude toward the Iran-Iraq War is more flexible, what with its hopes of preserving ties with Iraq, securing a foothold in Iran, and exploiting every opportunity to infiltrate the Persian Gulf, expand its sphere of influence, and expel American influence. While superficially neutral in the conflict, it actually tries to please both sides and acts in accordance with the prevailing conditions.

At the beginning of the war, the Soviet Union cut back on arms exports and economic aid to Iraq, on the one hand, and made gestures to court Iran, on the other. Before the war, a treaty of friendship existed between Iraq and the Soviet Union, the latter a traditional arms supplier for the former. In late 1970's, however, the Iraqi government launched an independent foreign policy and developed trade and economic links with the West, at the same time diversifying the sources of its arms supplies. In 1979, the Soviet Union invaded Afghanistan. To Moscow's displeasure, Iraq opposed this move. After the Iraqi troops entered Iran in 1980, the Soviet Union began tightening the screw on Iraq by reducing arms shipments and slowing down the flow of economic assistance, using the war as a pretext. Meanwhile, taking advantage of America's expulsion from Iran as well as the Iran-Iraq War, Moscow moved to mend fences with Iran. It approached Teheran with proposals for economic cooperation, warned America not to intervene in the war, encouraged Iran's People's Party to cooperate with the Islamic revolutionary regime, and took a tolerant attitude toward Iran's criticisms of its invasion of Afghanistan. Iran was leery of Moscow's motives, however, and the Soviet Union reaped little tangible benefits.

When Iraq shifted toward defending its own territory in 1982, the Soviet Union began supporting it. This Soviet about-face was prompted by fears of an Iraqi defeat, which would set back Soviet economic interests and militate against its infiltration in the Arab world. A victory for Iran would also fuel Islamic fundamentalism and enhance its appeal for Moslems in the southern part of the Soviet Union. Moreover, Iran never really shed its wariness of Moscow, toward which it maintained a relatively hard-line attitude. Soviet support for Iraq mainly manifests itself in increased arms supplies and economic assistance. Over the past few years, the Soviet Union has continuously supplied Iraq with substantial quantities of various kinds of weapons, hardware, and ammunition, in the process becoming Iraq's leading arms supplier. It has also concluded technical cooperation and trade agreements with Iraq and provided it with economic aid. In 1984, the two countries reached an

agreement under which the Soviet Union would extend a \$2 billion long-term loan to Iraq, the largest Soviet loan to a Middle Eastern country in the last decade.

Even as it tilts toward Iraq, however, the Soviet Union does not want to distance itself too much from Iran because the latter is strategically more important than Iraq. After the United States withdrew from Iran, the pressure on the southern Soviet front eased, bringing Moscow's "southern policy" closer to reality. Thus the Soviet Union would not give up its courtship of Iran lightly. If it is to defeat Iraq, Iran must demand that Moscow stop selling arms to Iraq. The Soviet-Iranian relationship is one of mutual need. While their relations deteriorated in 1983 when Iran expelled some Soviet diplomats and outlawed the People's Party, their ties were not completely severed. As early as 1984, the two nations were again warming up to each other. Senior officials from both countries exchanged visits and the Soviet Union began shipping arms to Iran through a third party and supported Iran's demand that oil prices be maintained at their current level by cutting crude oil exports. In the second half of 1986, Moscow reached an accord with Iran on the construction of a natural gas pipeline.

In May 1987, the Soviet Union began escorting Kuwaiti oil tankers. Although its fleet in the gulf is much smaller than its U.S. counterpart, the Soviet Union has been very active diplomatically. On the one hand, it keeps its ties with Iraq. On the other, it is stepping up contacts with Iran. The Soviet deputy foreign minister has visited Iran to discuss shipping Iranian oil exports through Soviet territory. At a time when it is confronting the United States eyeball to eyeball, Iran plays the Soviet card in order to stand up to America and extricate itself from its quandary. As for the Soviet Union, it wants more contacts with Iran in order to, first, put pressure on the United States to militarily disengage itself from the gulf as soon as possible, and second, consolidate Soviet-Iranian relations and augment its influence in the region. The Soviet Union trims its sails in the course of the Iran-Iraq War to further its own interests.

Tension in the gulf results from the Iran-Iraq War and superpower rivalry. Both superpowers are now competing to build up their military forces in this narrow strip of water and playing up the issue of shipping escort. This makes the turbulent waters of the gulf that much more treacherous and risks expanding and internationalizing the war, clearly a grave threat to world peace.

The outbreak of the Iran-Iraq War has caused extreme concern and uneasiness among the people of all nations. Many countries and international organizations, such as the United Nations, have repeatedly appealed for a cease-fire and put forward numerous peace plans, all to no avail so far.

UN Mediation Activities

The United Nations has tried in several ways to get the two sides to agree to a cease-fire and withdraw their forces. As early as September 1980, soon after the war broke out, the Security Council passed a resolution calling on Iran and Iraq to refrain from further military actions and solve their dispute peacefully in accordance with the norms of international law. In October 1982, the Security Council again asked both countries to declare a cease-fire immediately, stop military activities, and withdraw their troops to internationally recognized boundaries. In October 1983, yet another Security Council resolution appealed to Iran and Iraq to accept a cease-fire in the gulf without delay and reiterated that all nations were entitled to freedom of shipping and the right to engage in trade. Three more cease-fire resolutions were adopted by the Security Council in 1984 and 1986.

The Iran-Iraq War escalated in 1987, seriously threatening shipping in the gulf and causing widespread uneasiness in the international community. On 20 July, the five permanent members of the Security Council unanimously adopted Resolution 598, which "demands that Iran and Iraq observe an immediate cease-fire, discontinue all military actions on land, at sea, and in the air, and withdraw all forces to the internationally recognized boundaries without delay"; "calls upon Iran and Iraq to cooperate with the Security Council in implementing this resolution and in mediation efforts to achieve a comprehensive, just, and honorable settlement, acceptable to both sides, of all outstanding issues in accordance with the principles contained in the Charter of the UN"; and "calls upon all other states to exercise the utmost restraint and to refrain from any act which may lead to further escalation and widening of the conflict and thus to facilitate the implementation of the present resolution." Adopted pursuant to Articles 39 and 40 of the UN Charter, the resolution is mandatory. Some Western journalists have suggested that like Resolutions 242 and 338, Resolution 598 has immense historical significance. While Iraq welcomed it and demanded a complete cease-fire, Iran neither accepted nor rejected it categorically but did admit it contained some positive elements.

The UN secretary general and chairman of the General Assembly have also worked very hard to achieve a cease-fire. In 1980, Secretary General Kurt Waldheim tried to mediate an end to the war. He appointed the late Olof Palme, Sweden's prime minister at the time, as his special envoy to mediate the dispute through a series of visits to the two nations. The next secretary general, Javier Perez de Cuellar, continued the effort to end the war and bring about the implementation of UN resolutions. In June 1984, at the secretary general's suggestion, Iran and Iraq for the first time reached an agreement not to attack each other's civilian areas. In March 1985, Javier Perez de Cuellar put forward an eight-point plan to resolve the Iran-Iraq conflict, which called for putting an end to the war, banning the use of chemical weapons,

ceasing attacks on nonmilitary targets, de-militarizing the air space, and ending air raids on oil tankers, etc. In March and April the same year, the secretary general shuttled back and forth between Iran, Iraq, and the gulf states in an effort to persuade the countries to make peace.

In addition, a succession of observers and supervisory groups have been dispatched by the U.N. to Teheran and Baghdad to search for a solution and supervise the implementation of U.N. resolutions.

Mediation by the Gulf States

In February 1981, the gulf states established a cooperative committee one of whose top priorities from the very beginning was to bring an end to the war. Every time the war escalated, the committee would meet to search for a solution. Toward that end, the committee organized a range of activities and made comprehensive proposals. The foreign ministers of the six gulf states wrote a joint letter to the Security Council requesting that an emergency meeting be convened to discuss the gulf situation. In May 1982, the foreign ministers' meeting of the gulf cooperative committee put forward a three-point peace plan under which the two combatants were to: 1) declare a cease-fire; 2) withdraw to their own borders in accordance with the 1975 agreement; 3) take part in negotiations with the participation of a third party. The committee also suggested setting up an international fund to help Iran and Iraq resume construction and development after the cease-fire. In 1984, the committee and the European Economic Community [EEC] jointly put together a "gulf-European united action" plan aimed at ending the war. This plan called on the two countries to cease fighting temporarily and negotiate an end to their conflict on the basis of protecting each party's sovereignty, observing international boundaries, and mutual respect. It also provided for the creation of an rehabilitation fund with contributions from the gulf states and the international community, which would assist Iran and Iraq in postwar construction. Mindful of its relations with Iran, the gulf states also strongly urged the Islamic Conference Organization [ICO], the Arab League, the nonaligned movement, and countries on good terms with both Iran and Iraq to act as mediators and work out a just and reasonable solution.

Mediation By Other Nations and International Organizations

Islamic nations too have made a number of efforts to mediate an end to the war. In late September 1980, ICO despatched an Islamic goodwill delegation headed by President Zia-ul-Haq of Pakistan to Baghdad and Teheran to mediate. In 1981, based on the decisions of the third meeting of ICO leaders, a mediation committee was set up. It was headed by President Conte of Guinea and included four presidents and one prime minister. The committee made two rounds of visits to Iran and Iraq between 28 February and 4 March to listen to the

opinions of both sides. On 5 March, it announced a cease-fire plan outlining a number of basic principles to be observed by the two belligerents, along with a detailed timetable and implementation procedures for a cease-fire and troop withdrawal. This was the first clear, comprehensive, and specific blueprint for solving the conflict between Iran and Iraq. Subsequently, the Islamic mediation committee made several more visits to Teheran and Baghdad, convened a series of meetings to discuss a cease-fire, and offered positive suggestions and plans.

Also exerting themselves on behalf of peace were the nonaligned nations. In November 1980, the nonaligned committee to mediate an end to the Iran-Iraq conflict, consisting of the foreign ministers of such nations as Yugoslavia, Cuba, India, Pakistan, and Zambia and PLO representatives, met to discuss peace-making. In April, May, and August 1981, a goodwill delegation comprising representatives from Zambia, Cuba, and the PLO, visited Iraq and Iran three times in search of peace. In April 1982, a nonaligned delegation headed by Cuba's foreign minister paid yet another visit to the two countries. In April 1984, Egypt presented a four-point plan to end the war. Egyptian President Mubarak even wrote to the leaders of the nonaligned movement proposing that a comprehensive plan acceptable to the nonaligned nations be drawn up as a way of ending the war. In March 1985, Indian Prime Minister Rajiv Gandhi, then chairman of the nonaligned movement, sent two special envoys to Iran and Iraq, respectively, to deliver a letter to their leaders exhorting them to cease hostilities. Later he also dispatched a high-ranking delegation to Baghdad and Teheran to mediate.

Many nations, including Algeria, Turkey, Syria, and the Arab countries, have also played the role of mediator. A plethora of peace plans have been put forward demanding that the two countries stop fighting, withdraw troops, and refrain from hitting civilian targets and shipping entering and leaving the gulf, all with little results.

Reasons Why International Mediation Has Failed

Despite the frantic efforts of all parties over the last 7 years, they have failed to persuade Iran and Iraq to stop fighting and make peace, mainly for these reasons:

1. The Iran-Iraq War is the confluence of national conflicts, religious differences, and territorial disputes between the two nations. Some of these conflicts are a legacy of history; others result from the different ways in which the two governments perceive certain issues. As fighting drags on, it only serves to widen the gulf already existing between them. Hence it is immensely difficult to hammer out a cease-fire agreement satisfactory to both.
2. The two countries' cease-fire conditions are so far apart that they cannot be made to tally with each other. Iraq's primary aim in the war is to occupy some disputed territory. After entering Iran at the beginning of the war,

it put forward the conditions that Iran respect Iraq's territorial integrity, refrain from interfering in Iraq's internal affairs, follow a good-neighbor policy, and return Abu Musa and the Greater and Lesser Tunb Islands to the Arab nations. Iran's original conditions were that Iraq withdraw its troops unconditionally from Iranian territory and pay compensation for war losses. It also insisted that the World Court identify the aggressor. After its successful counterattack in 1982 that drove the Iraqi troops back into Iraq, Teheran put forward new conditions. Now it demanded that President Saddam Hussein step down and that Iraq pay Iran \$150 billion in damages and repatriate over 100,000 Iraqi refugees expelled to Iran. In October the same year, Iraq issued a statement accepting the proposal that it withdraw its forces behind internationally recognized boundaries laid out in the 1975 Algiers agreement. No acceptance, however, was forthcoming from Iran which contended that only after suffering setbacks in the 2-year war did Iraq agree to observe the Algiers agreement. Referring to his country's three conditions for ending the war, Iran's deputy foreign minister demanded on 27 March 1985 that Iraq pay Iran \$350 billion in compensation. In a telegram to the UN secretary general in February 1986, Iran's foreign minister demanded that Iraq's ruling Socialist Arab Baath Party be removed from power, that President Saddam Hussein be put on trial and punished, and that Iraq pay damages to Iran. Iraq's longstanding position is that it is eager for peace but not on the terms laid down by Iran. President Saddam Hussein has said time and again that Iraq has no choice but to continue fighting unwaveringly.

3. While both sides have suffered horrendous economic, material, and human losses from the war, they have the capacity to overcome hardships and survive. Iran's oil exports have been falling steadily for a number of years, but it is a vast country with a larger population, an

abundant source of military recruits, and formidable potential. Moreover, it is a nation where religion provides a powerful rallying point. As a result, it has been able to continue fighting for years and take the offensive. Iraq has only one-third of Iran's population and is heavily in debt. However, it receives economic assistance from Arab states and advanced weapons from France, the Soviet Union, and other nations. It holds an edge in air power, tanks, and artillery. Its defensive tactics are also more effective. This explains why neither side has been able to crush the other militarily after 7 years and why neither has given in and made concessions.

Iraq and Iran are neighbors. Both are developing nations and both belong to the Islamic world and the nonaligned movement. The historic mission they face now is to build up their countries, develop their national economies, and improve their peoples' living standards. The 7-year-old war has wasted the human, material, and oil resources of both countries. It has inflicted enormous financial losses, affected their peoples' living standards, and given the superpowers a chance to intervene. Facts have proven that the resort to arms has done nothing to solve the dispute between the two nations but has only exacerbated their peoples' suffering and deepened their pain, to the satisfaction of Iran's and Iraq's enemy. That Iran and Iraq should stop fighting and make peace as soon as possible is not only what the two peoples need urgently, but also represents the sincere wish of all peace-loving nations and peoples in the world. We wholeheartedly hope that Iran and Iraq would bury the hatchet and end the war soon so that they can devote themselves to development and construction. That will contribute to stabilizing the two nations and the Persian Gulf and promote world peace.

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Zhao Ziyang's Future Discussed

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[Article by Liu Keng [7120 6972]: "Will There Be a Zhao Ziyang Era Soon?"]

[Text] Yan Jiaqi [0917 1367 0366], a political scientist in the mainland, predicts in his work "On Leadership" that "leader worship will give way to people worship." From a certain perspective, this line of thinking mirrors the realities in China today.

Because of the excesses of longstanding leader worship, and as they advance in years, leaders seem to have become more and more arbitrary and demonstrate less and less of their former wisdom and astuteness in solving problems. This had led some people to wonder whether it is appropriate to entrust the nation's future and the people's destiny to an individual.

Cooling Enthusiasm for Deng Xiaoping

As everybody knows, the masses on the mainland had profound respect for Deng Xiaoping when he staged his third comeback in 1977. As they lowered the curtain on the Mao Zedong era, they welcomed the arrival of the Deng Xiaoping era most joyously. At the time, almost everybody prayed that he would live healthily to a ripe old age, the longer, the better.

History is ruthless as well as just. Today, 9 years later, prayers for Deng Xiaoping's longevity are seldom heard in China. Instead, what you do hear are a few curses now and then. Has the passage of time weakened people's sentiments? Or did the people expect too much at the beginning and have since been disappointed by the real world? Or has the power struggle at the higher levels, especially the stubbornness with which elderly people cling to power, made the people see the light: It is better to worship the people than the leaders.

Six Decades, Three Eras: Chiang Kaishek, Mao Zedong, and Deng Xiaoping

Most people date modern Chinese history from the May 4th Movement in 1919. This writer, for one, rushed to be born that year to be present on that special occasion. Unfortunately, fighting occurred between the warlords from the very beginning. Today, 68 years later, there have been only three eras which can really be named after an individual: Chiang Kaishek, Mao Zedong, and Deng Xiaoping. (Sun Yatsen is a giant who transcends time.)

The Chiang Kaishek era lasted 22 years from 1927 to 1949 and the Mao Zedong era lasted 27 years from 1949 to 1976, slightly longer than the former but still a mere twinkle of the eye in the long span of history. If we date the Deng Xiaoping era from the 3d Plenum of the 11th CPC Central Committee when the party, under his

influence, drew up party line, principles, and policies different from Mao Zedong's, it has lasted barely 9 years, from 1978 to 1987, one third as long as the Mao Zedong era.

Under arrangements made at the 13th Party Congress, or to put it another way, under the compromise reached following a power struggle, Deng Xiaoping will hold military power for at least 5 more years, may be all the way to the 14th Party Congress, or perhaps for 10 more years until 1997 when he will give up all public responsibilities and visit Hong Kong as a super private citizen.

Why Does Deng Xiaoping Refuse To Resign Despite Declarations To The Contrary?

Before the 13th Party Congress, Deng Xiaoping emphasized time and again that the ranks of cadres must be filled with younger people. For instance, meeting with Kerosec, a member of the presidium of the Central Committee of the League of Communists of Yugoslavia on August 24, he said, "This is an outstanding issue in China."

The guests suggested that the most prominent example was Deng Xiaoping himself. He indicated many times he would step down, something, he said, his comrades objected to. To curry favor with him, Peng Zhen said, "Everybody else can step down, but not Deng Xiaoping." At the latest party congress, Deng Xiaoping looked at the way things were shaping up and realized there was no alternative but to resign. But even then he kept the chairmanship of the Central Military Commission, a key position. Deng Xiaoping may have removed himself from the first front, but he remains the most powerful spokesman of the second front. Now how does that differ from "holding court behind a screen?"

Deng Xiaoping has inherited Mao Zedong Thought. In one of his philosophical works, Mao Zedong wrote, "External factors are the conditions for change. Internal factors are the basis for change. External factors work through internal ones." Deng Xiaoping has not stepped down because he does not want to, which is the internal factor, not because people urge him not to, which is the external factor. Before one can convince others, one must first convince oneself. Certainly if the reform faction controls the barrel of the gun, the reform line can be guaranteed. In the final analysis, however, one individual cannot control the barrel of the gun forever. Otherwise, what will happen in future?

Zhao Ziyang Catapulted to the Political Forefront

Because Zhao Ziyang played the leading role at the 13th Party Congress and was formally named CPC general secretary at the congress, becoming the top Chinese communist leader, some friends such as Mr Xu Simin [1776 0934 3046], JING BAO's publisher, believe a Zhao Ziyang era will begin next year.

Mr Xu Simin bases his argument in part on the following: "Deng Xiaoping has accomplished his historical mission and successfully written half the history of China under communist leadership." If we examine China's situation cool-headedly, we can only say that Deng Xiaoping has written, but not "successfully" written, half the history. What he did was only to bring an end to Mao Zedong's taking pride in the suffering of the people, free 800 million peasants, and pull China back from the brink of collapse. Certainly that was no mean feat and explained why TIME, the U.S. magazine, twice picked him to be its "Man of the Year." But even though Deng Xiaoping wants to save the people and nation, his over-confidence and stubbornness prevent him from rising above the law—"power corrupts, and absolute power corrupts absolutely." This is a reference to his ideology, not way of life. Mao Zedong's "gerontological whims" have gradually begun to manifest itself in Deng Xiaoping. He exploded over the student movement, which supports reform wholeheartedly, and ordered a military crackdown on it. He even toppled his own right-hand man, Hu Yaobang, and expelled from the party such representative intellectual figures as Wang Ruowang [3769 5387 2598], Fang Lizhi [2455 0536 0037], and Liu Binyan [0491 6333 7159]. Shocked and dismayed, the whole nation began to look at Deng Xiaoping in a new light. His popularity plunged.

Some people may defend Deng Xiaoping by arguing that he made such a desperate move because of conservative pressures. But there is no doubt that he overreacted to the student movement and misjudged.

"If you quit, what will happen to us?"

Firing a top leader on a moment's whim. Will that recur in the mainland? This question naturally came to mind as the public watched Zhao Ziyang deliver his political report at the 13th Party Congress. Besides, people who delivered political reports at party congresses did not seem to have fared too well afterwards. (See Zhang Jiefeng's [1728 4814 7685] article in this issue.)

Given Zhao Ziyang's consistency and steadiness, he may be able to steer through many a crisis and head off disasters. His tactfulness and Hu Yaobang's naivete are fully demonstrated by rumors circulating in Beijing about their contrasting reactions to Deng Xiaoping's announcements of resignation.

The story goes like this. Deng Xiaoping told Hu Yaobang and Zhao Ziyang successively in the summer and fall of 1986 that he had decided to retire at the 13th Party Congress. When he heard this, Hu Yaobang was visibly pleased and called it a wonderful thing that would help fill the ranks of leadership with younger people. Deng Xiaoping then said, "Many comrades object to my retiring. What should be done?" Hu Yaobang replied, "Let's work on them. Won't do any harm." In his artlessness, the general secretary actually tried to put his

words into effect; it would be amazing if he did not get into trouble. Zhao Ziyang's answer was totally different. He said simply, "After you quit, what would happen to us?"

This story vividly illustrates Hu Yaobang's and Zhao Ziyang's different personalities. One is ingenuous and forthright; the other, subtle and smooth. Naturally one had to bow out while the other emerged as the leader.

Hu Yaobang's Naivety and Zhao Ziyang's Tactfulness

It should be pointed out that Zhao Ziyang's tactfulness and adaptability are more than a function of his astuteness; they also have to do with his knowledge and political experience. He has a grassroots background and has worked at the local level for years. He understands that one "must like what the people like, hate what the people hate." Under Mao Zedong, the Chinese people lived in dire poverty; many went to bed at night with an empty stomach. In Sichuan, in particular, tragedies of people selling their children and their bodies to get some food abounded during the Cultural Revolution. This only strengthened Zhao Ziyang's belief that "the people are the foundation of a nation and food is the top priority of the people." In 1975, supported by Deng Xiaoping, Zhao Ziyang began implementing policies to encourage the liberation of productive forces and miraculously revived Sichuan. Hence the saying among the people that "if you want grain, go find Ziyang."

In 1975, Deng Xiaoping staged his second comeback and took charge of running the party center. In view of the worst food shortages in the southwest since the PRC was founded, he sent Zhao Ziyang and Jia Qiyun [6328 0796 0336] to Sichuan and Yunnan, respectively, to oversee the work. To both people, he gave the same instructions, "Do not be afraid to make mistakes; but do worry about a lack of courage. Do not be afraid of being overthrown. If you do a good job, it matters not if you are overthrown. Do not be afraid of being labelled a member of the 'landlord restitution corps.' What you should fear is that production fails to increase."

In the end, production in Sichuan really increased while that in Yunnan also showed promising signs. Later on, a "criticize Deng" movement targeted at the "rightist verdict-reversal trend," which was orchestrated by the "gang of four," swept across the country. While both were major figures at the forefront, Jia Qiyun and Zhao Ziyang behaved totally differently. Succumbing to the intimidations of the "gang of four," Jia Qiyun soon reported Deng Xiaoping's "three not afraid" speech to Jiang Qing and Zhang Chunqiao as proof of Deng Xiaoping's crime of taking the counter-revolutionary revisionist road. True to his old form of going deeply into the masses, however, Zhao Ziyang packed up his bags and went to the villages in Sichuan where he worked, labored, and lived with the masses to conduct studies and investigations. That way he survived the

criticize-Deng Xiaoping storm. Naturally what awaited him after that was calmness and tranquillity. After Deng Xiaoping made his third comeback, Zhao Ziyang was given an important job because of his outstanding performance. Nobody complained.

Zhao Ziyang's performance since Hu Yaobang's downfall has also been commendable. His greatest asset is his knowledge that a person can only be so intelligent, so he makes full use of his advisers. Collective wisdom is brought to bear to solve the difficulties encountered in reform.

Zhao Ziyang Promoted To The First Front

After the 13th Party Congress, Zhao Ziyang was pushed further to the forefront, able to cope with any turmoil. Power struggle is a way of life in the CPC's higher echelons. His opponents are double dealers like Hu Qiaomu [5170 0829 2606] who mouth Marxism-Leninism endlessly and are full of devious schemes. Then there are certain military leaders who know nothing about the ways of the world but rule the country and who ask "What is your seniority?" at every turn. Besides, Zhao Ziyang has gained some experience in economic reform. It would be such a waste to give it all up. That explained why he indicated a reluctance to take the general secretaryship on several occasions.

From Zhongnanhai to Beidaihe, from the press conference at Beijing Airport to the interview with a NBC [National Broadcasting Corporation] reporter, Zhao Ziyang stated his position time and time again. But Deng Xiaoping had broader considerations. If Zhao Ziyang did not become general secretary, then the party's top job must go to either Deng Liqun [6772 0500 5028] or Yao Yilin [1202 0181 2651], both of whom side with the conservative forces. The CPC is a party where politics take command and ideology reigns supreme. In the interest of reform and the policy of opening up to the outside world, the general secretary, as party chief, must be a strong advocate of reform and a brave leader in opening up the nation. Under these circumstances, there was no choice but to ask Zhao Ziyang to undertake the difficult job and do the best he can. As far as selecting a successor is concerned, Deng Xiaoping did the right thing. But even as he stepped aside, he gave one the feeling that he could not completely let go.

Since Zhao Ziyang assumed the party leadership as one undertakes a difficult mission, it is premature to suggest that the Zhao Ziyang era will dawn as early as next year.

Courageously Taking Up the Conservative Challenge

Judging from Zhao Ziyang's speech at the conference for propaganda, theory, news, and party school cadres on 13 May, he is fully aware that reform is like a boat sailing against the current: it must forge ahead or it will be driven back. As reform leaders, Hu Yaobang and Zhao

Ziyang were supposed to "prop up the sky if it falls down." The former has now been removed from office and it is up to the latter to shore up the situation. Faced with the conservatives' challenge, Zhao Ziyang does not hesitate to fight back and sharply hit out at what he calls "erroneous viewpoints that are skeptical toward and have reservations about reform and the policy of opening up to the outside world." Briefly, people who hold those viewpoints contend that economic reform has turned the economy upside down and consider a planned economy and a commodity economy mutually exclusive. A planned economy, they argue, is socialism whereas a commodity economy is capitalism. Politically they equate political structural reform with the rejection of party leadership and regard legitimate demands for democratization as liberalization and even use this as an excuse to stifle mass criticism of the party's mistakes, shortcomings, and unhealthy trends. Even more absurd are charges that by opening up to the outside world, China is now "leaning to the West," in contrast to the past when it "tilted to the East." Confronted with this frantic counterattack from the ultra-left, Zhao neither retreats nor seeks to appease his opponents. Instead, he resists and criticizes them with the fearlessness of a reformer.

Judging from the personnel arrangements made at the 13th Party Congress, the reform faction has scored a major victory and China has taken a big stride toward filling its ranks of cadres with younger people. Political reform has now been put on the agenda and economic reform is to be furthered. Even more gratifying is that the two "leftist kings," Hu Qiaomu and Deng Liqun, have been forced to relinquish control on the ideological arena, which means that the reform faction will part company with the Stalinists. For the first time in the 38 years since the PRC was founded, a rigid ideology is no longer the mainstream philosophy at Zhongnanhai. If Zhao Ziyang can consolidate this victory and effectively avoid any relapse, there is no reason why he cannot usher in a Zhao Ziyang era.

However, as the folks in the mainland say:

"The Communist Party is like the sun; it lights up whatever it shines on. Party policies are like the moon; they wax and wane as time changes."

The Only Hope Is Replacing The Rule of Man With the Rule of Law

The inconsistency of party policies flows from the rule of man. How is Zhao Ziyang going to replace the rule of man with the rule of law and democracy?

Napoleon said, "There are two powerful forces in the world, might and ideas. In the long haul, might will always be conquered by ideas."

Hu Yaobang was driven out of office precisely because he had neither military might nor ideas, that is, ideology.

For Zhao Ziyang, who has no military background at all, mastering the ideology is rightly the first step. But he must work hard to institutionalize and write into law the party's and nation's systems if he is to tighten his grip on the military. Only when the bosses above pass away one by one in accordance with the law of nature will the Zhao Ziyang era really begin.

May the purple rays shine brightly and may leader worship gradually give way to people worship in the mainland.

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Huang Guangxue on Implementation of Regional National Autonomy Law

40050034 Beijing GUANGMING RIBAO in Chinese
29 Sep 87 p 2

[Article by Zheng Xiaohu [6774 2556 3275]: "Achievements of the Regional National Autonomy Law"]

[Excerpts] Three years after its implementation, the Regional National Autonomy Law has been a great success. Nationwide, 44 minority nationalities consisting of over 5.9 million people (87 percent of China's entire minority population in China) have adopted the law.

In a recent speech, Vice Minister Huang Guangxue [7806 0342 1331] of the State Nationalities Affairs Commission said that the implementation of the Regional National Autonomy Law generally falls into these areas:

— There has been a lot of publicity.

— Efforts have been redoubled to create a legal system to go with the autonomy law. Nine provinces including Yunnan, Guizhou, Sichuan, Gansu, and Qinghai have drawn up or are drawing up detailed regulations to carry out the Regional National Autonomy Law. Relevant ministries and commissions under the State Council also have formulated rules for certain matters. In line with the spirit of the autonomy law, 14 autonomous prefectures and 6 autonomous counties drew up autonomy regulations based on local conditions and have put them into effect after approval. The bulk of regions in other autonomous areas are in the process of drafting autonomy regulations while some have submitted such regulations for examination and approval.

— After the autonomy law went into effect, the State Council has approved the establishment of 31 autonomous counties [zizhixian]. Thus far 5 autonomous regions, 31 autonomous prefectures [zizhizhou], and 104 autonomous counties [zizhixian] with a combined population of 5.9 million people (87 percent of the entire minority population in China) belonging to 44 minority nationalities have begun exercising autonomy.

— New strides have been taken in the training and use of minority cadres. All the top leaders in the people's governments of national autonomous areas belong to the nationality exercising autonomy. The leading members of the standing committees of the National People's Congress of the five autonomous regions and most autonomous prefectures and counties also are members of the nationality exercising autonomy. Take the Xizang Autonomous Region, for instance. Zang and other minority cadres now top 40,000 and account for 80 percent of all cadres in the region, up from 33.3 percent in 1962. Of the 41 party and government leaders at the first autonomous regional level, 31, or 77 percent, are members of the Zang and other minority nationalities. Nationwide, minority cadres and professional and technical personnel number almost 1.6 million, including 800,000 assorted skilled and technical personnel.

— Special consideration continues to be given to minority nationalities to help them develop educationally. In their recruitment, colleges and technical secondary schools offer minority candidates preferential admission by lowering score requirements appropriately. In 1986, there were over 100,000 minority students attending institutions of higher education across the nation, up 46.2 percent over the 1984 figure of 69,000. A grant-in-aid system is being applied to boarding schools in remote border areas and mountainous areas, certain national elementary and secondary schools, and teacher-training schools.

— In line with the spirit of the Regional National Autonomy Law, the various regional national autonomous areas have mapped out strategies and taken flexible reform measures suited to their local conditions. By adhering firmly to the general policy of reform and opening up to the outside world, they have quickened the pace of economic development. In 1986, the gross value of industrial and agricultural output of regional national autonomous areas exceeded 87.2 billion yuan, an increase of 27.97 percent over 1984 when the gross value was 68.1 billion yuan. This yields an average annual increase rate of 13.99 percent, higher than the average rate of 9.7 percent for the previous six 5-year plans.

— National autonomous areas have made a fair contribution to China's four modernizations. In 1985 and 1986 alone, national autonomous areas provided the state with 16 billion yuan worth of livestock products. Nei Menggu turns over 3.6 million cubic meters of log to the state each year.

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Discussions on Political Structural Reform

3 Key Issues Discussed

40050028a Beijing JINGJI RIBAO in Chinese
31 Oct 87 p 1

[Article by Correspondent Zhan Guoshu [6124 0948 2873]: "The Opening Curtain Has Just Gone Up; Report On the 13th Party Congress"]

[Text] The curtain has finally gone up on the long hoped for reform of the political system.

Thirteenth Party Congress delegates are engaging in lively discussions, and there is also excited debate within society and among the masses.

What have people caught sight of? What do they expect?

Separation of Party and Government—Where Is “The Key of Keys”?

“The key to reform of the political system lies, first of all, in a separation of party and government functions,” Zhao Ziyang stated very explicitly in his report. So where does the key to the separation of the party and the state lie? In other words, where should a beginning be made to separate the party and the state?

Some people suppose that the key lies in a healthy legal system, both the Party and the government exercising their authority within the confines of the law.

Some people say that the key lies in retrenching and reorganizing official organizations, the separation of party and government being organizationally guaranteed.

Both views are correct. But if the roots of the problem are to be found, one must reflect on why the separation of party and government has not been done during the many years that have passed. Then it will be found that the key of keys lies in how to understand correctly the concept of the “leadership of the Party.”

What is meant by the leadership of the Party? Formerly, Party leadership encompassed everything and meant complete control over everything. Large scale agriculture and large scale trade, eating, drinking, defecation, and urination all had to be controlled. Now, however, Zhao Ziyang has explicitly stated that Party leadership means political leadership.

Thirteenth Party Congress delegate Cao Zhonghou [2580 0022 0624], the Party Committee secretary from Linyi County in Shanxi Province, had a lot of experience in this regard. He once served as deputy county magistrate in charge of agriculture. Formerly, everytime an agricultural conference was held, the county Party Committee secretary for agriculture would make a speech at the conference, for to do otherwise would have been an “abandonment of the Party’s leadership.” But the county magistrate in charge of agriculture was relegated to the sidelines and couldn’t get a word in edgewise. Cao Zhonghou ridiculed this situation as “farming other people’s fields while allowing one’s own fields to lie fallow.” After becoming county Party committee secretary in 1986, he no longer exercised political control over

all of the work done in the county. Instead, he allowed the county government to exercise authority, with the result that work throughout the county was done in a rather outstanding manner.

What is meant by “political leadership?” In his report, Zhao Ziyang made a concrete exposition. He said that political leadership “means leadership of political principles, political direction, and major policy decisions, and the recommending of important cadres to state organizations holding political power.”

Some delegates put it even more succinctly in terms of practice saying that political leadership consists primarily of firm hold on two things. The first is “putting forward ideas,” and the second is “use of cadres.” When firm grip is taken on these two things, one has a firm grip on the “key of keys.”

Reform of Government Organizations—How Can “Redundant Personnel” Be Placed?

Yet another important ingredient of political system reform is reform of government organizations, the streamlining of administration, and retrenching and reorganizing organizations, not of which has as yet begun. Let us review history a bit. In 1982, we also retrenched and reorganized government organizations with great fanfare. On the surface, it appeared that government organizations and personnel had been reduced. However, because there was no way to place “redundant personnel,” and since there was no change in organizational functions despite the streamlining of official organizations, a shortage of personnel was evident in official organizations. Consequently, the retrenched and reorganized personnel returned to their original units pell mell to “flesh them out,” and the “bloating” of official organizations became even worse. How can the old road that leads from “retrenchment and reorganization to bloating to more retrenchment and reorganization to more bloating” be avoided?

Policymakers in pilot project cities for organizational reform throughout the country are all perplexed by this problem. Redundant personnel cannot be sent en masse to enterprises and to the grass roots. To make the lower levels carry them on their backs would be an even heavier burden, wouldn’t it?

There are always ways. Following a complete survey, Wuhan City discovered that organizations under direct municipal administration were “swollen” with large numbers of redundant personnel. Just 41 units had 461 redundant personnel in them. At the same time, tax collection, auditing, and political and legal units were “anemic” for lack of cadres. They had hired more than 4,500 temporary workers to fill positions. Dual lines for “reducing swelling” and “giving a blood transfusion” were followed, reductions in force and build ups of personnel proceeding at the same time. Wuhan distinguished different situations in its reform of official

organizations. In units in which functions had changed and the number of people on the table of organization was larger than the amount of work to be done, people were removed, thereby reducing administrative expenses and the total wage bill. In overstrength units, people were re-allocated, i.e., transferred elsewhere. In addition, a total wage bill was established and channels blocked whereby official organizations brought people in without authority. As of mid-October 1987, more than 1,400 Party, government, and mass organization cadres had been transferred to economic control units and to some grassroots businesses where they were needed.

Reform of government organizations in the pilot project cities of Anyang, Dandong, Chongqing, and Harbin went through similar complexities and explorations for the most part.

"In an overall sense, the main personnel problems to be solved in this reform of official organizations are the readjustment of official organizations and improvement in the quality of personnel." When delegates heard these words from Zhao Ziyang, they certainly felt that he had "hit the nail on the head."

Reform of the Cadre Personnel System—How Can a "Competitive Mechanism" Be Introduced?

The shortcomings of China's prevailing cadre personnel system are manifested in two ways. The first is that it is difficult for outstanding talent to come to the fore; the other is difficulties in avoiding unhealthy tendencies in the use of personnel.

What good medicine is available to overcome these shortcomings? At one time we pinned our hopes on "Bole sizing up the horses," calling for the emergence throughout the country of countless Bole's. But there are a lot of swift steeds but few people capable of sizing them up. Experience gained in competitions among athletes shows that racing a horse tells more than sizing it up. A competitive mechanism must be introduced.

We once regarded competition as an undesirable thing peculiar to the western world. Before long, however, it had moved into our markets where it got rid of shoddy merchandise and preserved good merchandise, and promoted the burgeoning of markets. It entered the business world where calling for tenders and the making of bids caused the contract work responsibility system to vault into a new stage. Today, it is itching to stride into the cadre personnel realm.

Just before the 13th Party Congress was convened, Wuxi on the shores of Tai Hu held an open competition for the selection of bureau level cadres, which caused people's hearts to pound. Four hundred fifty candidates had to cross the four hurdles of recommendation, screening, written tests and interviews, with only four outstanding

ones coming out of the competition. Leaders who organized personnel departments could only sigh, "We used to feel that talented people were hard to come by, but with open competition talented people have appeared!"

Competitive methods have been many and varied as follows:

In Shenzhen: "Public notice of vacancies for director and deputy director positions in 10 bureau-level units."

In Ningbo: "Public solicitation of capable persons" for selection to positions of director of the municipal design committee, director of the price bureau, and directory of the forestry bureau.

In Yantai: "Open examination" for leaders in 13 units under direct municipal jurisdiction.

In Guangdong: Institution of the "three democracies" (democratic discussion and appraisal, testing through democratic expression of popular opinion, and democratic recommendation) for leading cadres at the county level and above.

The country's future national civil service system will use the method of "examinations set by law and open competition." Isn't it true in a certain sense that the selection of Party members, whether an integral number or a differential number of them, is a kind of competition?

Competition spurs progress, and competition has left the economic realm to move on to a broader stage.

"The short term goals of political reform are limited. It may take several years for some to show results, and some may produce the desired results only in 10 years time or longer," Zhao Ziyang calmly reminded the whole party in his report.

Yes, the opening curtain has just begun to rise. However, now that the seeds have been sown, they will sprout, put down roots, stretch out branches, spread leaves, and produce plentiful fruits.

More than 1,900 delegates, more than 46 million Party members, and 1 billion people are anxiously waiting.

CASS Scholars' Comments

40050028b Beijing JINGJI RIBAO in Chinese
31 Oct 87 p 3

[Text] Recently four doctoral candidates at the graduate school of the Chinese Academy of Sciences, namely Jiang Maiyong [1203 6701 0516], Liu Xiaojun [0491 4562 5028], Zheng Yu [6774 5038], and Chen Jiaming [7115 0857 2494] wrote to this newspaper to say that the 13th Party Congress' political system reform was an important topic for discussion, and was in keeping with the objective needs of economic system reform. Only by

reforming the political system would it be possible to insure and promote more pervasive reform of the economic system. The most urgent needs in political system reform at the present time are as follows:

1. Separation of Party and Government. Because of the longstanding lack of separation between party and government, the high degree of uniformity in thinking and organization that characterizes the party has spilled over into the economic realm, resulting in economic control increasingly assuming the form of a "unified domain." Such a form is obviously inconsistent with the development of a commodity economy, the separation of party and government, and delineation of the functions of the party and government executive organizations and of economic organizations at all levels. Transfer to government control of economic matters presently under the control of Party operating units might not only enable government institutions and economic organizations at all levels to perform their functions of organizing the building of the economy relatively independently on the basis of the requirements inherent in a commodity economy, make control more flexible and effective, and become increasingly guided by standards, but also might enable Party organizations at all levels to provide better overall planning and policy direction for the building of the economy.

2. Change in Government Control Functions. Once reform got underway, we began to demolish the system whereby enterprises under ownership of the whole people came under centralized state administration, and we explored various ways of separating ownership rights and operating rights as, for example, with regard to contracting, leasing, and the stock share system. However, since government functions had not changed correspondingly, one difficulty after another was encountered in carrying out the "separation of the two rights." Frequently the central authorities delegated authority only to have local authorities take authority, authority being arrogated at each level down the line. As a result, businesses found implementation of genuine self-determination in operations very difficult. Thus, a change in government control functions is urgent, and corresponding changes have to be made as well in management methods, in the matters to be controlled, and in control criteria. The use of administrative methods to intervene directly in the economy must be scrapped in favor of the use of economic and legal methods of indirect macroeconomic regulation. A change must be made from direct control of business' production and operating activities to control of markets, the markets guiding business; and there must be a change from mostly control over individual amounts to mostly control over totals.

3. Need For Further Breakdown of Functions Within Government and Formation of a National Property Administration System. Currently, the government is not only the regulator of macroeconomic policy, but also the owner of property rights to national wealth. Such a dual role determines the government's dual functions. In

the actual operation of the governmental system, conflicts and clashes frequently occur between these two functions, decreasing efficiency. Consequently, a breakdown within government of national macroeconomic control authority and of national wealth ownership authority, and the formation of a single independent operating system for national property has become an issue that cannot be dodged in the pervasive reform of state-owned enterprises.

4. Accelerating Progress in the Building of Socialist Democratic Politics To Give Impetus to Democratization of the Economy. Reform of the economic system requires that laborers band together of their own accord at various levels to strengthen laborer's democratic control rights. However, unless the political system is reformed, realization of this requirement will be very limited. To a considerable extent, democratization of the economy depends on progress in building socialist democratic politics. For the present, democratization of the economy entails firm grip on the democratization of business management. Simultaneous with promotion of plant director (or manager) responsibility systems, there must also be an amplification of the staff member and worker congress system to insure that all workers in an enterprise are the masters in an enterprise's joint labors, and that reform of the political system will establish these rights in the system and in law.

5. Reform of Existing Government Organizations and Building of A Highly Efficient Government Work System. There can be no simple quantitative releasing, merging, separating and combining of functions, nor promoting, demoting, increasing or decreasing of personnel; instead, the goal has to be increase in work efficiency, changes in the functions of government organizations, reduction of direct control, and orientation toward service at the grassroots level.

These four doctoral candidates maintain that reform of the political system is a complex bit of social system engineering. Each step in reform can have a bearing in regulating how the benefits structure is established, and it will encounter difficulties and obstruction from various quarters, making reform of the political system more difficult. Consequently, our reforms must be guided by clear-cut theories and goals. There must be concrete plans for their execution that are realistic; there must be "total integration" that takes account of the overall situation, and it is necessary to proceed on the basis of actual conditions "advancing in an orderly manner." It is necessary to adhere to the objectives and orientation for reform as well as to take into account historical conditions in society and the ability of society to bear reforms. In addition, reform of the political system should serve as a vehicle for further realization of the democratic rights of the masses of people and for stirring the enthusiasm of the broad masses; otherwise, reform will lose its inherent impetus and its social foundation.

Legalist Zhang Youyu on Separation of Party, State

40050028C Shanghai SHIJIE JINGJI DAO BAO in Chinese 31 Oct 87 p 3

[Article by Zhang Youyu [1728 0645 3342]: "Separation of Party and Government Is the Key to Political System Reform"]

[Text] Everything under direct Party control makes for poor management. On the one hand there are matters to which no one attends, while at the same time there are those who have nothing to do. State organs become an empty shell while Party committees sink into the quagmire of routinism, or a situation of "the Party not controlling the Party" takes place.

Party leadership of stage organs is political leadership; it is not organizational leadership, nor is it a relationship between superior and inferior. There can be no ordering people about, but rather a reliance on the correctness of one's own plans and policies and effective performance by Party organizations and Party members.

The importance and necessity for reform of the political system is just as Comrade Deng Xiaoping said, namely that "whether all of our reforms will finally succeed will be determined by reform of the political system." I would like to offer some views on the issue of "separation of party and government."

The most important and most crucial issue in reform of the political system may be stated as success in reforming the political system will, in the final analysis, be determined by a division of labor between the party and government. Heretofore, we have practiced "no separation between the party and government," exercising "unified leadership" by the Party. This was necessary during the period of the revolutionary war. Given the situation at that time, unless this were done, it would not have been possible to achieve victory in battle nor to establish and consolidate separate revolutionary bases, much less to be able to topple the three big mountains [imperialism, feudalism, and bureaucratism] and liberate all of China.

Now, however, political power has been won and consolidated for the people of the whole country, and we have entered the stage of peaceful building of socialism in which continued maintenance of a system of "no separation between party and government" and the practice of "unified leadership" by the Party is not only of no benefit, but rather harmful. In view of the liberation of the whole country, elimination of the old to make way for the new, and the hundred and one things that need to be done, as well as the vastness of the country in which circumstances differ from place to place, it is necessary to use sound national organizations and people skilled in all fields to deal with matters. Everything under control of the Party makes for poor management, and the abuses that currently exist are bound to occur.

Too great, too detailed, and too stifling control by the Party at all levels makes it impossible genuinely to use to full advantage the vitality of the Party and the state, to arouse the enthusiasm of the people, to overcome bureaucratism, and to improve work efficiency. On the one hand there will be matters to which no one attends, while at the same time there will be those who have nothing to do. State organs will be empty shells, while Party committees will sink into "the quagmire of routinism," unable to concentrate energies to use time effectively for the strengthening of the building of the Party itself, and to do good political and ideological work, or even a situation in which "the party does not control the party" may come about. Such a situation must be changed through "separation of the Party and the state."

"Separation of party and government" most certainly is not a rejection of Party leadership, an abandonment of Party leadership, or a weakening of Party leadership but rather the improvement and strengthening of Party leadership for more correct and more effective exercise of the role of Party leadership. Some people suppose "separation of party and government" to mean a rejection of Party leadership and the espousal of a fundamental rejection of the leadership of the Party. They believe that capitalist countries practice "the rule of law" and "the rule of the people" rather than "the rule of the Party," there being no leadership by the Party, and the Party not leading the country, and that there are none of the maladies of our "no separation of party and government." Actually, this is a misconception. In capitalist countries, political parties also lead the country; it is simply that they are unwilling and do not dare to admit as much openly, but the methods that they use are no different from our past methods. Governments in capitalist countries are formed by the Party in power, and the head of the government is the head of the political party in power. All of his or her plans, policies, promulgated laws and regulations are in accordance with the ruling party's platform, which decides how matters are to be handled.

Others say that capitalist countries have a two party or a multi-party system with each party holding power in turn, which is to say "taking turns at being the dealer," and that it is not a "single party dictatorship." The fact is that under the capitalist system there exist different classes as well as different strata and groups within a single class whose interests conflict with each other; consequently, there have to be different political parties that represent the mutual antagonisms and mutual conflicts of individual interests. In our country, the exploiting class has been eliminated as a class, and the people of the whole country have taken the socialist road to advance toward the goal of building socialism. This is to say that fundamental interests are identical. It is only that specific individual conflicts grow out of differences in occupation as well as differences in work and daily life. Leadership by a political party of the working class that represents the interests of the people of the whole

country is all that is required and all there can be. Other democratic parties uphold, support, and assist the Communist Party in leading. It is not necessary for them nor may they "take turns at being the dealer" with the Communist Party. It might be asked whether the Communist Party that has been long tempered in revolution and construction may be unable to avoid shortcomings in the task of leading the nation, and wouldn't other political parties be able to lead?

The question under consideration is not whether or not the Communist Party should lead, but how to strengthen and improve Party leadership for more correct and more effective exercise of the Party's leadership role. The Party leadership of the nation is political leadership, not organizational leadership, and not a relationship between superiors and inferiors. Party leadership of stage organs is political leadership; it is not organizational leadership, nor is it a relationship between superior and inferior. There can be no ordering people about, but rather a reliance on the correctness of one's own plans and policies and effective performance by Party organizations and Party members. First is the need to formulate correct plans and policies as guides for the work orientation and action by state organs. To fail to do this is to abandon leadership and to lose the leadership role. However, in handling the country's affairs, concrete application of the Party's plans and policies is the purview of state organs. Party committees may not issue orders to state organs; they may not act in their place, and they may not interfere in specific matters.

Second, all that is necessary is for the Party organization and Party members within state organs to directly or indirectly implement Party plans and programs in doing their work. It was said earlier that Party committees cannot issue orders to state organs; the Party organization and Party members in state organs have even less right to do this. If you are a leader with power to make decisions, you should follow work procedures such as democratic discussion; if you are an ordinary cadre, you should make sure decisions are carried out. Nowadays,

the Party organization in some state organs does not act in accordance with provisions of the Party constitution. Instead it relies on good performance in the task of "uniting non-party cadres and the masses" to complete the task of "taking responsibility for carrying out the Party's plans and policies." It arrogates to itself the role of an "overlord," ordering people about and leading by administrative fiat. This is wrong. Reportedly the 13th Party Congress was prepared to revise the Party constitution to get rid of Party organizations in order to correct this problem. We feel, however, that if their limits of authority can be strictly defined, Party organizations may be preserved in state organs if they serve only to unify the thinking of Party organization members but restrict the actions of Party organization members, unite non-party cadres, and promote Party plans and policies.

Third, when necessary, Party committees may directly make recommendations to state organs on important issues. Any citizen, organization or party may make recommendations, so why not the Communist Party, the country's leading party, so long as it does not act as though it were infallible and force state organs to do as it says? State organs may accept or not accept. This will depend on the correctness of the recommendations, and whether the Party committee made sufficient efforts to win their acceptance.

It must be pointed out that though Party committees may not issue orders to state organs, they may issue orders to Party member cadres in state organs who are responsible for leadership duties and, as Party members, these cadres must obey. If a Party committee's "orders" are not correct, disagreements may be registered by following proper procedures within the Party; however, one may not arbitrarily fail to obey simply because one is a state cadre. As to how to carry out orders and whether results from carrying them out will be good or bad, that will all depend on whether or not one is capable, and how well one does his or her work.

FINANCE, BANKING

Creating Conditions for Specialized Banks To Adopt Contract System

40060030 Beijing JINRONG SHIBAO in Chinese
1 Oct 87 p 1

[Article by Cheng Boming [4453 0590 2494]: "We Must Actively Create the Conditions for Specialized Banks to Adopt the Contract System"]

[Text] The results of trials by some specialized banks clearly show that operating under a contract system is beneficial, but they find it difficult to continue contracting at their own expense. Positive efforts must be made to create the external and internal conditions for banks to adopt a contract system.

Publication by this paper on 20 August of a summary of an informal discussion on the topic "Specialized Banks Cannot Survive Without Adopting a Contract System" elicited strong public reaction. The many responses received from readers and from specialized banks and insurance companies showed that vast numbers of cadres, staff and workers on the financial front are positive and approving with respect to the issue of contracts for specialized banks. They believe that the marked effects produced by the contract management responsibility system throughout rural China show that it is a type of reform that is well suited to the country's situation and can easily be implemented, and that it is very significant for financial reform. If banking is to be invigorated, banking institutions must be run as enterprises. Achieving this requires trying out different formats and options, and trials in this area have already enlightened people to the fact that contracts are a necessary means of operating as enterprises. It has been learned that the specialized banks that have already begun contract operations on a trial basis have achieved clear results, despite the short period of time involved.

Beginning in September 1984, the Tianjin and Nanjing branches of the Bank of China instituted a contract system for document auditing, achieving clear results: 1) The sense of responsibility of cadres, staff and workers was greatly improved, and staff and worker enthusiasm was mobilized. 2) The number of staff was reduced and efficiency improved. After the Tianjin branch instituted the contract system, the staff was cut from 48 to 23; with the workload per capita increasing by nearly 50 percent, contractual assignments were exceeded every month, and document processing time was reduced from 2.98 days before the contract system to 0.22 days; the Nanjing branch also reduced its staff from 45 to 24, with per capita monthly auditing of documents increasing by 35 percent and processing time dropping from 1.2 days to 0.78 days. 3) Auditing quality improved, with the document rejection rate dropping from 50 percent to around 20 percent. In both banks, the error rate after introduction of the contract system was far below the agreed-upon standards.

Beginning in 1986, the Industrial and Commercial Bank of China instituted specialized contracts on a trial basis in some cities, primarily in the accounting and cashier departments, and even more savings banks started contracting. Since contracts were instituted, the savings banks have experienced unusual vitality and vigor. Specifically, this has taken the following forms: 1) Rapid increase in savings: in five banks carrying out trial system reforms, the rate at which savings quotas were surpassed exceeded national averages. After the 26 savings banks of the Chongqing branch instituted contracts in the third quarter of last year, each depositor increased his savings total by 94,000 yuan, exceeding average levels for the entire city by 62 percent. All 48 savings banks of the Changzhou branch instituted contracts. By the end of last year, all the bank's savings offices had increased savings by 65,000 yuan per depositor, a 43.6 percent increase over the previous year and higher than the progressive annual increase. 2) Noticeable improvement in service: many savings banks have added noon and Sunday shifts, attracting savers with their superior service. 3) Increase in amount of business and decrease in error rate: the Zhongshanmen savings bank in Changzhou handled 450,000 accounts during the year, with business volume and workload per employee increasing by 73 percent over the previous year; with no cash errors, the account error rate was 62.5 percent below the contractual standards. 4) Improved internal management: following adoption of the contract system, the savings banks of the Changzhou Industrial and Commercial Bank established various forms of personal responsibility systems, so that management is specifically assigned within each office; not a single breach in security due to subjective factors was discovered.

The above facts show that, having started from a single contract, a bank contract responsibility system characterized by outstanding results is now taking shape in China, and the trend is toward bank contracting. At the same time, however, we also see that bank contracting is still at a rather low administrative level. First, most of the current contracts are contracts for a single aspect of banking. No bankwide contracts, or comprehensive contracts for operating units have yet been developed. In addition, trials of the contract system have taken place unevenly; some banks and companies have not even started their trials of the system. This reporter heard comments to the effect that the main reason these trials cannot be gradually expanded is that the present system of distributing bank profits is irrational, without any source of bonuses after the banks have instituted contracts. For a long time banks retained profits on a per capita basis, divorced from actual profits earned, which caused banks to lack enthusiasm and motivation for their operations; at the same time, the profit retained was inadequate and greatly restricted their capacity to reorganize and develop themselves. With the banks' profit retention not being able to increase with rising profits, the bonuses issued for exceeding quotas following adoption of the contract system could only be taken out of the original bonus funds, and this amounts to

contracts at the banks' own expense. A contract should embody the principle of greater reward for greater output and combine responsibility, authority, and profit. A contract at the banks' own expense involves only responsibility, however, not authority and profit; such a contract would be impossible to popularize. Because there is no source of funds for over-quota bonuses, trials of auditing contracts at the Tianjin and Nanjing branches of the Bank of China have reportedly been terminated. The reason the Agricultural Bank and insurance companies have been slow to introduce contracts is also that they have no source of bonus funds. Reform experience has shown that bank contracting results in greatly increased income; by comparison, the increase in bank expenditure is minute. It has been estimated that from April 1985 to the end of last year the Nanjing branch of the Bank of China took in a total of \$1,951,000,000 in foreign exchange for the state; at 10 percent interest, moving that income up one day could produce an additional 500,000 yuan in interest income for the state, while increasing bonus expenditures by 3,384.35 yuan for the same period. The relationship between finance and banking is such that if one prospers or falters, the other follows suit. At present, comrades in banking circles are all calling for banks to be treated as true enterprises and are implementing the corresponding policies. In keeping with China's actual conditions, they have put forth several feasible proposals for bank contracting. For example, if the specialized banks institute systemwide or comprehensive contracting with the state for the entire sector, the Ministry of Finance could represent the state in setting gradual increases in contracting for specialized banks in accordance with the progressive increases in profit returned to the state in recent years; the specialized banks would have to meet their obligation to turn over profits to the state in order to ensure a stable increase in financial income. Or the Ministry of Finance would institute proportional retention or over-quota sharing for banks, taking as base the actual profits in a given year and setting a profit-retention ratio, achieving a progressive increase in total profits, and a corresponding increase according to the fixed ratio or sharing the over-quota portion. On this basis, specialized banks would institute internal hierarchical contracting of the branches with the head office and the subbranches and offices with the branches; the contracting would involve over-quota sharing or progressive profit retention. Some highly experienced experts have pointed out that bank contracting requires a macroclimate: 1) The original method of distributing bank profits should be suitably adjusted to adapt to the new contract situation. 2) Banks should contract not only horizontally but should also engage in systemwide contracting; this is the only way to put an end to the banks' eating funds out of the "big rice pot" and create the necessary external conditions for specialized banks to operate as enterprises. Of course, banks should not sit passively waiting for all conditions to be worked out.

They must strive to create the external conditions while at the same time vigorously examining their own operating mechanisms and creating the internal conditions for enterprise operations.

13322

Banks Urged To Promote Sound Growth of Enterprise Contract System

40060031 Shanghai SHIJIE JINGJI DAOBAO in Chinese 19 Oct 87 p 5

[Article by Chen Haowu [7115 3185 2976] and Deng Yaping [6772 0068 1627]: "Banks Should Spur on the Healthy Development of Contracted and Leased Enterprises"]

[Text] Now that they are contracted and leased, enterprises have gained new vitality as a result of the separation between ownership and management. Nevertheless, our survey on contracted and leased enterprises in Huangshi shows that problems are plentiful, especially for banks.

1. There is no guarantee for problems inherited from the past and the compensation of losses, which have eaten into the enterprise's working capital loans. According to the survey on nine enterprises in Huangshi Shi, seven were operating at a loss with combined book and hidden losses amounting to 6,653,800 yuan.
2. Enterprises used to repay their debts before paying taxes. Now they pay taxes first before clearing their debts. They have difficulty paying off their accumulated fixed assets loans, thus affecting the circulation of that kind of loan. All nine Huangshi Shi enterprises surveyed had unpaid fixed assets loans to the tune of 137,684,000 yuan in all.
3. Banks face additional risks in making loans. In the wake of enterprise contracting and leasing, the credit relationship between the bank and the enterprise has changed. First, the subject of lending has changed. Second, the debtor has changed. As a result, lending has suddenly become much more risky to banks. Reluctant to take the increased risks, banks are now less enthusiastic to lend to enterprises, affecting the lending relationship between them.
4. Enterprises have difficulty coming up with their own supplementary working capital and still must turn to banks for such funds. The survey found that when an enterprise is contracted or leased, the parties omit to spell out what proportion of the enterprise's overall working capital its own working capital must make up in the period specified. Some contracts do not even specify the amount of working capital to be supplemented each year or the proportion of the capital as a percentage of the profits retained by the enterprise. Out of consideration for his interests and those of the enterprise, the

contractor (lessee) too balks at replenishing the working capital. When cash flow problems occur, they still approach the bank for a loan out of habit.

5. With the enterprise exercising more distribution power, the bank finds it harder to control the outlay of consumption funds. After an enterprise is contracted or leased, it usually switches to a floating wage system completely. This is particularly true in the case of leased enterprises. Of the enterprises surveyed, the combined profits of eight of them increased 16.5 percent from January through July this year, compared to the same period last year. If they have adopted a floating wage system, workers' wages are bound to go up substantially, making it more difficult for the bank to control the outlay of consumption funds.

6. Enterprises operate with a short-term mentality, which affects the rational utilization of bank loans. Uncertain whether or not he can continue to contract or lease the enterprise, the contractor or lessee scrambles for equipment, commodities, and funds in order to inflate his profits and beef up the operator's and workers' earnings. Most contracts stipulate clearly the condition of the equipment at the end of the contract or lease period. However, no similar stipulations exist to make sure that funds have been used soundly. This leads to the improper use of capital and exacerbates capital shortages.

Confronted with this barrage of problems, what should banks do? In our opinion, banks should pay attention to changes in the way enterprises are operated and take an active part in enterprise contracting and leasing activities. At the same time, the banking system should be reformed to ensure the soundness and safety of bank loans, thereby promoting the healthy development of contracted and leased enterprises.

First, banks should get involved in asset appraisal and sign contracts with enterprises specifying what should be done about leftover capital. Bank loans occupy an important place in the responsibility structure of an enterprise. Banks, therefore, must work together with the department in charge of enterprises, the auditing bureau, and other units to sort out and appraise enterprise assets in order to ensure the soundness of bank loans. Banks should also play a part in the signing of the contracting or leasing agreement, which should state clearly the amount of money the enterprise must pay to repay a loan or make up losses during the contracting period. Moreover, such an amount should be broken down by year to ensure that the bank receives a continuous flow of loan repayments.

Second, diversify the form of bank assets and spread the risks of bank lending. Since the way an enterprise is run has been diversified, so should the form of bank assets. By designing different kinds of financial asset loans to suit different enterprises depending on their operational mode and business conditions, the risks of lending can

be spread and reduced. For instance, financial assets with varying characteristics may be put together based on the three criteria of security, fluidity, and returns.

Third, commercialize banks and make them assume the risks of lending themselves. Banks "eating off the common rice pot" are no longer compatible with the operations of leased and contracted enterprises run entirely like a business. Banks too should be commercialized without delay. On the one hand, banks at all levels should be allowed to operate autonomously. They should practice independent accounting, be responsible for their own profits and losses, and function as economic legal persons. No longer should they guarantee funds for enterprises. Instead they should be free to choose the form, duration, and amount of the loans they make. At the same time, banks should assume the risks of lending and establish a venture capital fund to make good any bad loans that may occur. Also, consideration may be given to hiving off their administrative functions that interfere with commercialization and transfer them to the relevant government department.

Fourth, an end-of-term asset appraisal should be carried out to prevent enterprises from behaving in a short-sighted manner. When the lease or contract expires, a complete audit should be carried out and assets appraised, including a then-and-now comparison, to prevent the enterprise from thinking only of the short-term. The bank too should be involved in this process to check if the enterprise has covered the losses left over and repaid accumulated debts and to find out the state of the new loans and how they are being repaid.

12581

SMALL-SCALE ENTERPRISES

Impact of Country's Township Enterprises
40060013 Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese
20 Oct 87 pp 34-35

[Article in column entitled "China's Economy" by special reporter Yu Guoyao [7411 0948 5069]: "Broad and Profound Impact of the Development of China's Township Enterprises"]

[Excerpts]

Almost a 20 Percent Share of Society's Total Output Value

The total output value of China's township enterprises in 1986 was 330 billion yuan, 18.9 percent of society's total output value for that year, and an 11.2 percent increase over 1980. This sum includes 240 billion yuan in industrial output value, or 26 percent of the nation's GVIO. The industrial output in 1986 increased 15.8 percent 1980 and equalled the nation's GVIO of 1971. In 1986 exports from township enterprises brought in more than

\$4 billion. Township enterprises employ 79.37 million people, or 20 percent of China's total rural labor force. Along coastal provinces such as Guangdong, Fujian, Jiangsu, Shandong, Liaoning, the ratio reaches 27.6 percent, and in areas with rapidly developing township enterprises such as Suzhou, Wuxi, Changzhou, the Zhujiang Delta, and Yantai in the Jiaodong Peninsula, township enterprises engage 70 to 80 percent of the total rural labor force.

Restructuring the Unidimensional Rural Economy

Historically China has always put sole emphasis on agriculture, and most of the labor force in the rural areas is tied up in agriculture, especially in grain production. China has a huge population but limited arable land: arable land per capita is only 1.5 mu, one-third the world average of 4.8 mu. The average agricultural worker tills 5 mu in China while the average worker tills 928.6 in the United States, 1,150.8 in Canada, and 120 in France. Because the amount of labor expended is out of proportion to land and resources, agricultural labor productivity has remained stagnant. Since the founding of the PRC, China has maintained a high rate of increase in grain production, but the rate of increase in farm productivity has lagged behind. Per capita income of the peasants rose from 40.5 yuan in 1957 to 74 yuan in 1978, an increase of only 1.2 yuan per person per year. The agricultural reforms in 1987 [sic] brought dramatic changes to the agricultural sector. For 8 years reforms have guided the peasants away from agriculture as their sole occupation, and introduced them to forestry, animal husbandry and fishery, and encouraged the peasants to improve grain production while at the same time vigorously promoted a diversified economy which comprehensively developed agriculture, industry, commerce, and transportation, and diverted the surplus rural labor force to non-agricultural endeavors.

Rapid development of township enterprises in recent years has restructured the rural economy which in the past was devoted entirely to agriculture. Between 1978 and 1986, the GVAO increased at an average rate of 12.7 percent per year while total output value of township enterprises increased at an average rate of 21 percent. By 1986 total output value of township enterprises has reached 330 billion yuan, only 64.7 billion yuan below the GVAO for the year. Among the components which make up the total output value of rural areas, the relative share of township enterprises rose from 36.5 percent in 1978 to 46.9 percent in 1986 while the share of agriculture fell from 63.5 percent in 1978 to 53.1 percent in 1986. In some rapidly developing regions, output value of township enterprises has surpassed agricultural output value: for example, output value of township enterprises accounts for 80 percent of the total output value in Zhejiang Province, 84 percent in Suzhou City, 90 percent in Changshu City, and 92.7 percent in Wuxi City.

Development of China's township enterprises provides new employment opportunities for the surplus agricultural labor force. By 1986 township enterprise employment reached 79.37 million people, or 20 percent of the

rural labor force. Under the Sixth 5-year Plan (1980-1985), the number of workers engaged in township enterprises increased at an average rate of 7.96 million per year, with a net increase of 39.8 million people in the 5 year period; this amounts to 50 percent of the nation's 79.78 million job placements during the period, and 71 percent of the net increase of 57 million people in the rural labor force for the same period. A huge flux of surplus agricultural labor left the land to take up non-agrarian endeavors. The rapid development of township enterprises has transformed the rural economy which was devoted solely to agriculture, and raised the productivity of the rural labor force. In recent years, total output value of the rural society has increased from 279.2 billion yuan in 1980 to 742.9 billion yuan in 1986, and this includes an increase of the GVAO from 192.2 billion yuan in 1980 to 394.7 billion yuan in 1986 while output value of township enterprises rose from 67 billion yuan in 1980 to 330 billion yuan in 1986: these represent 2.66-fold, 2.05-fold, and 4.9-fold increases, respectively. Per capita rural income rose from 74 yuan in 1978 to 424 yuan in 1986. In 1986 the per unit labor contribution to the total output value of rural society (including staff and workers in state farms) was 1,834.82 yuan, this includes a per capita output value of 4,423.4 yuan generated by workers in township enterprises, and 1,229.54 yuan generated by agricultural workers. Take Wuxi as an example, between 1949 and 1970 the rural labor force increased from 242,600 to 434,500 workers while the amount of arable land per capita fell from 3.68 mu to 1.86 mu. Although output per unit area continued to rise, productivity fell, and grain production per agricultural worker fell from 2,317 jin in 1965 to 1,897 jin. In 1980, compared to 1970, the labor force increased by 497,200 workers, however, due to the development of township enterprises, the GVIAO per unit of rural labor rose from 507 yuan to 2,086 yuan, and since then, has risen to more than 4,000 yuan. Prior to 1978, in Daqizhuang, in rural Tianjin, the village's entire labor force of 1,200 cultivated 4,800 mu of land, and produced 300 jin of grains per mu, at an average production rate of 1,200 jin per unit of labor. The village was perennially short of grain. Since 1979, the village vigorously developed township enterprises, and a huge labor force was shifted to non-agricultural jobs. Between 1979 and 1986, agricultural labor decreased at an average rate of 30 percent per year. In addition, because of income from township enterprises the village had the financial means to purchase farm machinery and took part in agricultural capital construction to improved its agricultural capabilities. In 1986 only 34 people worked on grain production; each worker farmed an average of 141 mu; per mu production reached 700 to 800 jin at a per capita production rate of more than 110,000 jin. Besides producing its own grain, the village also has income from township enterprises which is more than 10-fold the income from the production of grain.

Profound Impact on Society's Economic Development

Developments in township enterprises brought has changes to the employment structure of the peasants, and also has brought changes to the income structure of

peasant households. This is manifested in the gradual decrease in the proportion of income from agriculture, and the continued increase in the proportion of non-agricultural income. Based on sample studies, from 1978 to 1985, the share of national income from agriculture fell from 92.36 percent to 75.36 percent while non-agricultural income rose from 7.64 percent to 24.64 percent. In 1985, non-agricultural income per peasant household reached 86.26 yuan which is 9-fold the 1978 income of 9.39 yuan, and in 1986 non-agricultural income was 95.7 yuan, a 10.94 percent increase over the previous year. This figure also exceeds the 5.75 percent per capita increase in income from agricultural production. Therefore, the high rate of increase in peasant income is no longer guaranteed by income from agriculture, instead it is maintained by income from township enterprises.

Looking at the economic difference that township enterprises make, those areas with rapidly developing township enterprises are enjoying a prosperous rural economy, and the peasants' income are higher. Income from township enterprises accounts for more than half of the income of many peasants in the more prosperous regions. In counties and cities like Wuxi, Suzhou, Changzhou, the Zhujiang Delta and other areas, per capita net income is as high as 1,000 yuan, or more; they are dependent on township enterprises. Conversely, peasant income remains low in areas which are allowed to shift out of agriculture. This proves that today it is township enterprises, and not agriculture, which determines the level of peasant income in China.

Development of China's township enterprises not only promotes the division of labor and specialization in the villages, it also turned their natural economy into a modern economy. Furthermore, because rural industries now account for 57.9 percent of township enterprises in term of total units, and 69.3 percent in term of total number of workers, and total output value of rural industries accounts for 26 percent of the nation's GVIO, township enterprises play an increasingly prominent part in the country's economic development: 1. Township enterprises are the main impetus behind the rapid growth in the nation's economy during this period. Between 1978 and 1986, the economy's GVIO increased at an average rate of 10.3 percent per year while society's total output value rose at a rate of 11.9 percent per year, and the GVAO increased at an average rate of 14.5 percent per year while output value of township enterprises grew at an average rate of 24.5 percent per year. 2. Township enterprises constitute a major portion of the GVIO in the economy during this period. Between 1978 and 1986, the relative share of rural industries in the nation's GVIO has grown from 9.1 percent to 26 percent. 3. Township enterprises supply many industrial goods which are in short supply. 4. Township enterprises promote the spread of industries into small and mid-sized cities and villages, and eased the over-concentration of China's industries in a few mid-sized and large cities. In particular, the process of decentralization was

accomplished basically through accumulation by the work force, and from investments of the peasants' own funds rather than from major investments by the central and local governments. For a country which is short on capital, this is a feasible and proven way to spread out the industries. Today developing township enterprises has become a crucial strategy for de-emphasizing agriculture in rural communities.

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FOREIGN TRADE, INVESTMENT

MOFERT Reviews Foreign Investment Use
40060017a Beijing GUOJI MAOYI [INTERTRADE] in Chinese 27 Aug 87 pp 4-6

[Article by MOFERT Vice Minister Zhang Haoruo [1728 4110 5387]: "On China's Policies Of Opening Up To The Outside And Bringing In Foreign Investment"]

[Excerpt] The question facing China now is not whether it should continue to use foreign funds and encourage foreigners to invest, but how to create a more favorable investment climate to attract even more foreign businessmen to invest here, how to channel investments into areas where funds are most needed, and how to reap even higher economic returns on investments.

Since 1979, China has made definite progress in the use of foreign funds. From 1979 through 1986, the total value of all loan agreements concluded by the nation with foreigners reached \$28.9 billion, of which \$20.7 billion had been spent. During this period, 7,800 Sino-foreign joint ventures, Sino-foreign contractual joint ventures, wholly foreign-owned enterprises, and cooperative offshore oil prospecting projects were initiated, with a combined contractual investment of \$19.1 billion, of which \$6.6 billion had actually been invested. Certainly even as we use foreign funds, we must be careful to make sure that the overall scale of foreign investments is commensurate with China's financial and material resources, its foreign exchange earnings, and its ability to make payments with foreign exchange. Still, judging from the nation's economic conditions and the needs of economic development, there remains a need to expand the use of foreign investment, particularly to encourage foreign businessmen to invest more extensively in China.

2. Selecting an appropriate investment focus, setting sound investment goals, and increasing investment returns are a prerequisite for success.

Absorbing foreign funds, particularly establishing Sino-foreign joint ventures, involves bilateral cooperation and requires that both sides understand each other's demands, strengths, and capabilities. Needless to say, the foreign businessman invests in China to make a profit and to remit such profit back home in foreign exchange. China must do its best to ensure this. But foreigners have

long-term as well as short-term interests. According to a survey on U.S. corporate leaders who invest in China, the prime objective of most investors in China is to establish a long-term cooperative relationship with China which will serve as the beachhead of their entry into Asia. Their second objective is to carry out low-cost production in China. As a result, their investments pay off readily. A. T. Kearney Management Consulting Company has conducted a survey in conjunction with a Chinese concern. The responses from the heads of 70 companies which have established joint ventures with China shows that 22 percent had significantly exceeded their projected investment returns and 44 percent had exceeded their projected returns, while 6 percent had failed to meet their projected investment returns.

In the interest of rational economic development, China, like other nations, has its own industrial policy and investment priorities. Both the national and local governments give priority to the development of energy, transportation, communications, raw materials in short supply, and urban and rural infrastructural facilities. Because investments in these projects take a long time to pay off, they receive priority in state funding and obtain long-term loans made available by foreign governments and international financial institutions at preferential rates. The development of the usual non-production projects, such as hotels, restaurants, and recreational facilities, will be reined in. Simple processing industries must also pursue selective, controlled growth to prevent over-investment which leads to overcapacity and a shortage in raw materials and energy. The state encourages the adoption of advanced technology to produce new and exportable products. As far as foreign investment is concerned, the state also encourages the establishment of technologically advanced enterprises. Both types of enterprise are entitled to even more preferential treatment. In this context, technologically advanced enterprises mean enterprises applying technology or equipment and turning out products unavailable in China at present or enterprises whose technological performance is notably superior to China's current level. An export-oriented enterprise is one which exports more than half its output and achieves a balance or surplus in its foreign exchange incomes and expenditures. If it exports over 70 percent of its output, it can enjoy even more preferential treatment. Certainly the demand that contractual joint ventures concentrate on export does not mean closing the domestic market to these enterprises. The reason Sino-foreign contractual joint ventures are required to balance their foreign exchange on their own is to make sure they have the ability to pay for a variety of imported materials and defray all kinds of overseas expenses in foreign exchange, and remit abroad the profit earned by the foreign partner. Even when half of its output is exported, one half remains available for domestic sale. Naturally we hope Sino-foreign contractual joint ventures will sell a rising portion of their products abroad as a contribution to China's drive to increase exports and earn foreign exchange. In quality, price, delivery, and

after-sale services, the products of Sino-foreign contractual joint ventures are competitive with imports. The government will also encourage domestic users to give preference to the products of Sino-foreign contractual joint ventures and pay for them, wholly or partly, with foreign exchange. Some administrative regulations are already in place regarding this. As for enterprises whose products can compete with imports and which can win domestic orders, they will be similarly encouraged.

Because of further guidance over the direction of investment and increasing project selectivity, the actual value of foreign funds invested in 1986 was still somewhat higher than in 1985, despite a drop in the number of foreign-funded enterprises launched. Meanwhile, the investment structure has also improved. Of all the projects approved in 1986, 76 percent were in industry, agriculture, animal husbandry, fishery, transportation, and communications. In contrast, only 45 percent of the projects approved between 1979 and 1986 were production-oriented. This is a notable trend in foreign investment in China.

3. China will continue its effort to improve its investment climate.

Since promulgating its first piece of legislation on attracting foreign capital, "The Law on Chinese-Foreign Joint Ventures," China has made a tremendous effort to formulate and amplify laws and regulations covering every area of foreign economic relations and create a favorable investment climate, with remarkable results. Let me go back to some of the data obtained by the survey mentioned above. In the survey, 70 U.S. companies were asked to evaluate China's investment climate under 9 categories. Among these categories, labor costs and labor-management relations were rated as good or very good by more than 70 percent of the companies; policy and taxes were said to be good or very good by over 60 percent; and laws and regulations and manpower resources were described as good or very good by 50 percent of the companies. As for labor productivity, water and electricity supply, and transportation and communications, 64, 81, and 92 percent, respectively, of the companies thought they were average or below average.

I do not know whether the favorable comments are exaggerated, but the unfavorable evaluations clearly pinpoint China's weaknesses. Basically, the long-term strengths of China's investment climate are its enormous human and natural resources and cheap labor costs. But a herculean effort is needed to overcome the weaknesses and problems that stem from its infrastructural facilities, the technical or professional quality of its workers and managers, its unfamiliarity with current international management practices and its failure to adapt to them, and the lack of a comprehensive set of laws and regulations. Be that as it may, we must have full confidence in the stability of the situation in China and the continuity

of our policies, which will enable us to take firm measures to improve the necessary laws and regulations, upgrade personnel quality, and speed up infrastructural development.

Since last year Chinese leaders have been paying close attention to what foreigners think about the nation's investment climate and it was not long before the State Council formulated and promulgated the "Regulations to Encourage Foreign Investment" (also known as the 22 articles). The regulations offer preferential treatment in taxes, fees, and other conditions of production and operations to foreign-funded enterprises, particularly technologically advanced or export-oriented enterprises. They also guarantee such enterprises managerial autonomy and independence. The regulations aim to ensure the creation of an even more attractive investment climate for foreign investors and make it possible for foreign enterprises to do business in accordance with current international practices. Of course we do not consider the 22 articles a panacea for all problems, but are continuing to work hard to improve the investment climate. The government departments concerned have drawn up 10 detailed regulations for implementing the "22 articles," with others still to be worked out and announced in due course. Essentially they stipulate the kinds of products and technology in which foreign investment will be encouraged; authorize contractual joint ventures to purchase and export some Chinese products or to sell their competitive products inside China (partly) in return for foreign exchange so that they can balance their foreign exchange; set fees at reasonable levels; ensure managerial autonomy for enterprises; and simplify the procedures and formalities for foreign investors. Local governments at all levels have been implementing the "22 articles" actively and many provinces and municipalities have formulated local measures to carry them out. For instance, in conjunction with a reduction in state taxes as required by the "22 articles," they have cut or waived local taxes. They have also worked out detailed regulations regarding local fees, such as a minimum land use fee. Some cities have established a foreign exchange regulating center, a foreign investor service center, and a material supply company. A number of provinces and municipalities have put one agency in sole charge of applications and other matters related to foreign investment. To ensure the success of foreign-funded enterprises, local authorities will disseminate the experience of successful concerns among those enterprises and organize training courses for Chinese managers in contractual joint ventures to help them upgrade their managerial skills.

The above-mentioned measures have caught the attention of and been welcomed by interested parties in all nations. They have also improved the utilization of foreign investment in China. But instead of feeling complacent, we must continue to work hard to make the nation's investment climate even better and more effectively attract even more foreign capital in order to

contribute to China's socialist modernization and promote international economic cooperation. Now that you are in China, you are welcome to travel around and visit the enterprises. Please feel free to tell us your opinions. I wish the conference success and wish you all health and happiness.

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Problems, Suggestions for Improving Economic, Trade Relations With Japan
40060033 Beijing GUOJI MAOYI [INTERTRADE] in Chinese 27 Sep 87 pp 7-10

[Article by Ma Junlei [7456 0689 7191]: "An Examination of Ways To Expand Sino-Japanese Trade and Economic Cooperation"]

[Text] In 1986, China's trade with Japan totaled \$13.615 billion (this and the figures cited below are MOFERT's statistics), down 17.2 percent from the previous year, and our trade with that country accounted for 22.7 percent of our total foreign trade, a decline from the 1985 figure of 28 percent. China's exports to Japan totaled \$3.56 billion during 1986, down 22.3 percent from the previous year, and accounted for 16.2 percent of our total exports, down from the 1985 figure of 23.6 percent. China's imports from Japan amounted to \$9.499 billion in 1986, a decline of 12.2 percent from the previous year, and accounted for 28.8 percent of our total imports, down from the 1985 figure of 31.1 percent. China's trade with Japan showed a \$5.135 billion deficit during 1986, accounting for 85.2 percent of our total trade deficit. Although our total deficit in 1986 declined by \$2.3 billion from the previous year, our deficit with Japan fell by only \$81 million from the previous year's figure of \$52.16 [hundreds of millions].

Thus in exploring means and studying policies by which to expand Sino-Japanese trade and economic cooperation, we must focus on the most salient issue in the trade between our two countries—the serious imbalance therein.

I. The Causes of the Serious Imbalance in Trade between China and Japan

Basically speaking, the imbalance is due to the following general reasons.

1. Japan's trade barriers block entry of Chinese products into Japanese markets. Japan, claiming that the health quarantine issue has not been resolved, still refuses to permit imports of Chinese hoofed animals (live pigs and cattle), fruit and other animal and plant products; maintains restrictive import quotas on a number of Chinese goods; and even levies higher tariffs on our goods than she does on those of industrialized countries. These unfair practices are inconsistent with Japan's declared policy of opening up her markets.

2. The "three lows"—low oil prices, the low U.S. dollar and low interest rates—are very disadvantageous to our efforts to reduce China's trade deficit with Japan. First, the decline in oil prices has greatly reduced our foreign-exchange earnings from oil exports to Japan, and prices for other primary products are also weak, so these sources cannot be used to increase foreign-exchange earnings. Second, the appreciation of the yen has caused Japanese exports to become more expensive, which means that we have to pay more foreign exchange to import Japanese goods, and we will also have to use many more U.S. dollars to repay the principal on the yen-denominated loans from Japan.

3. The growth rates of the economies of our two nations differ, and these differing rates induce different patterns of import demand in our countries. Over the past several years, China's economy has grown much more rapidly than the economies of Japan and other industrialized nations, and our rapid economic growth has greatly increased our imports and thus led to a rise in our foreign trade deficit. Japan, on the other hand, has undergone a restructuring of her domestic economy and developed energy-saving technology, which developments have enabled her to reduce inputs of energy and other raw materials per unit of output and thus to lower her total volume of imports, including energy and primary products. These developments per force have reduced Japan's imports from China.

4. There is a tremendous discrepancy in the mix of commodities exchanged between China and Japan. In 1986, for example, primary products, consisting mainly of crude oil, coal and agricultural and sideline products, accounted for 63 percent of China's exports to Japan, whereas manufactures (principally textiles, handicrafts and light industrial products) accounted for only 25 percent of the total. Conversely, almost all of Japan's exports to China were manufactures, with steel accounting for 30 percent of the total, chemicals 8.3 percent, machinery and technology about 50 percent and textiles and light industrial products 9 percent. These contrasting trade mixes represent a typical example of vertical division of labor and impede further growth in Sino-Japanese trade.

5. Chinese exports are not competitive in nonprice terms, that is, mainly in the area of quality. This problem is most apparent in our failure fully to satisfy the demands of our customers and to abide by contract terms and in the many shortcomings of our exports in such areas as product design, packaging, adherence to specifications, delivery delays, marketing techniques and after-sales service. In addition, our information facilities are inadequate, we lack skilled personnel and expertise and we are slow to respond to volatile international market conditions. These shortcomings affect marketing of and sales prices for Chinese products and hinder expansion of our exports.

6. China's foreign-trade and foreign-exchange controls have failed to keep pace with developments in our program of economic restructuring. This failure has engendered some unavoidable chaos in our foreign trade, and this chaos has impeded expansion of our foreign trade (including that with Japan).

II. Ways To Expand Trade and Economic Cooperation between China and Japan

From the above discussion, it is apparent that the trade imbalance between China and Japan is due in part to the fact that our two nations stand at two very different stages and levels of economic development. This structural factor will require long-term effort before it thoroughly can be resolved. Yet does this mean that there is nothing we can for the time being but sit back and wait? No. We should recognize that there is plenty of room for the two sides to expand trade and economic cooperation and that conditions fully exist for the two sides to improve cooperation.

To reduce the trade imbalance more vigorously, the governments and business groups and economists of the two countries must continuously seek ways to expand economic cooperation and trade. In view of the problems and conditions that currently exist in the economic relationship between our countries, we suggest the following ideas for economic circles and relevant agencies of the two countries to consider. First, on the Chinese side, we must commence with efforts in the following areas.

1. We must follow Premier Zhao Ziyang, who stated that "to expand exports and increase foreign-exchange earnings, the most fundamental thing is that we must adopt a correct strategy that is responsive to demand on international markets and that is consistent with conditions in our country," and effect two transformations. The first of these involves changing our export mix. That is to say, we must get away from our overreliance on oil exports and vigorously develop other types of exports, especially manufactures. The second transformation involves a gradual shift from our present emphasis on quantity to a stress on quality. That is to say, we must strive to increase foreign-exchange earnings by improving the competitiveness of our exports in nonprice (mainly quality) terms. Given the current economic conditions in our two countries and the need to expand Sino-Japanese trade, China should simultaneously strive to expand exports to Japan of both primary products and manufactures and make a special effort gradually to increase the share of manufactures in her exports to Japan. For the medium and long term, this effort will be consistent both with changes in Japan's import mix and with our supply capabilities.

2. It is clear from the experience of Japan other nations and regions that production, trade and finance form an integral whole in the effort to develop external economic relationships, which effort therefore requires a strategy

integrating these sectors. Production is the foundation of this effort, for without industry equipped with advanced technology and modern management, a country cannot produce good products with high values added and will lack the strength needed to stand up to the intense competition in the international economy. Thus restructuring of production, fiscal administration and banking must closely follow and be linked to the restructuring of foreign trade. All sectors along the economic front must be closely coordinated and must work together to develop production, invigorate markets, expand foreign trade, enliven the economy and make our nation prosperous and strong.

3. In view of conditions in our country, we should at the present stage emphasize both "import substitution" and "export-led development" (or, "externally oriented economy," which is designed for coastal provinces and municipalities) in our strategy for developing foreign economic relations and trade. Our effort to expand the domestic market will depend primarily on domestic production, so we should do our best to avoid or reduce imports of the goods we can produce at home, and we must curb blind and redundant imports. Given the needs associated with our socialist four modernizations, we will continue to face foreign-exchange shortages for a long time to come. Thus we must give priority in resource, raw material and foreign-exchange allotment to localities and enterprises that produce more efficiently, apply our limited holdings of foreign exchange to projects demonstrating the most urgent need and use foreign exchange to import machinery, equipment and technology needed to develop new products.

4. As soon as possible, we must begin stressing production of quality materials and parts for finished goods and gradually reduce imports of these materials and parts so as to lower the export costs of and increase the value added to final products. At the present time, we are forced to import most of the quality materials and parts we need to produce the finish goods we export, and the operations of many joint ventures in fact involve nothing more than assembly of imported parts for export. The primary cause of this state of affairs is that China is very weak in the production of quality materials and parts and in this area has failed to keep up with the growing needs of her production and consumption. Thus we should adopt financial policies that protect and encourage the development of this industry and that help expand output of these goods, and we must strive to increase the domestic content of Chinese manufactures and turn primarily to domestically produced quality materials and parts as rapidly as possible. This approach will reduce the demand for imports induced by the development of domestic industrial production and will help improve China's export mix.

5. Given the current economic structure and market conditions in China, to increase foreign trade, we must create an export production system that is oriented toward international markets, whose direct goal is to

enhance export foreign-exchange earnings and that is composed mainly of producer enterprises, and we must go all out to accelerate this program. To this end, we must obtain financial and technical assistance and cooperation from foreign (including Japanese) governments and economic circles and establish a corps of enterprise groups that possess advanced technology and can produce quality exports.

6. Given the rising yen and increased production costs in Japan, China should try to increase her exports to Japan by vigorously expanding processing of imported materials. We possess considerable productive capacity with respect to many light industrial goods and textiles (such as clothing, packaging materials, shoes, labor insurance, plastics and toys), processed foods and other products, so we can rapidly increase exports of these goods, and thus exports generally, so long as we ensure supply of needed raw materials and accessories and overcome our weaknesses in terms of poor quality and delivery delays.

7. We should direct foreign investment into manufacturing industries that produce for export and induce joint ventures to play a more active role in expanding our exports. Of course, China, for her part, must also continually improve her investment climate, balance her foreign-exchange earnings and expenditures, improve raw-material supply and labor recruitment for joint enterprises, make things more convenient for foreign investors and thus create a good and profitable environment in which foreign businessmen would be glad to invest. To encourage foreign businesses to invest in our manufacturing industry, we should establish different income tax rates and joint-venture lifespans for different industries. For example, tax rates on industries—such as the tourist industry—that are more profitable and that recoup their investments more rapidly should be higher than the rate for manufacturing.

8. To carry out the above policies, China must adopt practical, concrete measures to encourage exports and support outstanding export enterprises. The following are examples of such measures. (1) When key export enterprises undertake construction or technological transformation projects, we must support them, where required, with infrastructural construction and matching funds. For example, for exports of machinery and equipment costing more than a given amount, we should provide low-interest seller or buyer loans and initiate deferred-payment exports. (2) We should lay the groundwork to allow foreign-exchange banks more effectively to develop currency futures trading and to enable foreign-trade companies to hedge their foreign-exchange holdings so as to reduce their risk of loss from international exchange-rate volatility. In these areas, the state must provide policy and financial support. (3) China must quickly improve her foreign-exchange control system. At the present time, we must first establish the principle that foreign exchange is to be subject to central control, clearly stipulate that local holding of foreign exchange is an exception to this principle and is permitted so as to

serve as a special incentive, and gradually reduce the ratio of foreign exchange local entities are permitted to retain and thus reduce dispersion of foreign exchange among many departments and agencies.

As for the role of the Japanese, it is extremely important that they help increase China's exports to their country, actively balance trade between our two nations and gradually strengthen economic cooperation between the two countries. Over the past several years, cooperation between the governments of China and Japan has progressed smoothly in areas such as development assistance, which has involved yen-denominated loans and outright grants, energy loans provided by the Export-Import Bank of Japan and the yen bonds issued by Chinese enterprises on Japanese financial markets. This cooperation has helped China develop her social infrastructure, energy sources, production and the like. To employ her Overseas Economic Cooperation Fund more effectively, the Japanese government has announced that Japan will abandon her previous passivity, take the initiative and actively engage in "creative economic cooperation" and help other countries develop export-producing enterprises so as to earn more foreign exchange. We appreciate and approve this positive stance. But, at the same time, the accelerated internationalization of the Japanese economy and the advances registered by China's socialist modernization campaign make it necessary for us to broaden, increase, strengthen and diversify cooperation between our two countries. We hope that the Japanese government and economic circles will make the appropriate efforts, such as in the following areas, to achieve this.

1. Japan should further open her markets up to China and as quickly as possible adopt realistic measures to reduce or eliminate barriers to Chinese imports. For example, Japan should lower import duties on Chinese chestnuts, honey, tea and other commodities; increase import quotas for Chinese raw silk and silk and satin cloth; eliminate restrictions on imports of Chinese peanuts, red beans, broad beans and other goods; and resolve the quarantine problem with respect to Chinese hoofed animal meats, fruits and other animal and plant imports. It is especially important that, where Japan has loosened restrictions or reduced or eliminated tariffs on imports from the United States and other developed nations, she should accord the same, or even more favorable, treatment to Chinese goods.

2. We should seek new forms of funding cooperation. Japanese private banks have so far failed to play their full role primarily because of high interest rates; of the fact that Chinese enterprises, especially medium and small units, are unable to make use of the capital available from such banks; and of the current rise in the yen. All of these factors make it difficult for China to use funds from Japanese private banks. Thus we suggest that the governments of our two nations adopt the following approach. When the Japanese government increases development grants in aid, it might earmark some of

these grants as subsidies to reduce the interest rates charged by private Japanese banks on loans to Chinese medium and small, especially export-producing, enterprises. This would help medium and small Chinese enterprises undertake technological transformation, develop new products and establish export conglomerates and compensate for the inadequacies of medium and small Japanese enterprises in terms of capital and strength in carrying out economic cooperation with China. This approach would help Chinese and Japanese enterprises and spur economic development in both nations. It is worth noting that a similar form of financial cooperation has already been proposed by Osumi Saisaburo, who has written that there is a glut of private capital in Japan and that, if Japan relies solely on the market mechanism, most of this capital will surely flow into manufacturing and real estate in the United States, Europe and other developed nations rather than to China and Southeast Asian countries, where investment is riskier and where returns on capital are slower. Thus the Japanese government should provide more guidance in this area and might consider subsidizing interest rates in order to raise long-term, low-interest funds or use funds from postal savings and government matching funds to put together low-interest capital, use this capital to increase her Overseas Economic Cooperation Fund, which is specially earmarked for developing nations such as China, and have it [ambiguous in original] float taxable bonds on Japanese financial markets.

3. The Japanese and Chinese sides should employ "cooperative development" to develop Chinese products and have Japan increase her exports from China. There are a great variety of ways to effect this "cooperative development of imports." For example, the Chinese side could designate special production bases or name exclusive firms to produce or process agricultural goods, sideline goods, native products, textiles, light industrial products or sundry goods. Chinese producers could then be directly linked with relevant Japanese enterprises (including supermarket and other marketing chains) to accelerate exchange, ensure stable, punctual supply and develop new products jointly. Given the large deficit in Sino-Japanese trade and the likelihood that the dominance of primary goods in China's export mix cannot be changed very much for the time being, the Chinese and Japanese sides should initiate wide-ranging cooperation in funding, technology, storage, transport and processing of soybeans, corn, cotton and other bulk commodities and designate special regions for the production of these goods—such as the Sanjiang Plain for soybeans, the Jilin area for corn, Xinjiang for cotton, and the like—and gradually develop these regions into externally oriented bases for the production of agricultural exports. Coal can also be handled this way. Japanese imports more and more of these four commodities each year, and thus Japan has room to import more goods from China.

4. It is very urgent that China and Japan strengthen cooperation in technology and production. Cooperation in these two areas has fallen behind that in the areas of

trade and capital and has become a salient problem in Sino-Japanese economic relations. Japanese enterprises are worried that technological transfer will "boomerang" on them and believe that these transfers conflict with the readjustment of and improvement in the Japanese economy and industrial structure and with Japan's advance toward high-tech industry. But the Japanese should recognize that China has a population of one billion people, who form the main market for most of China's products, that China exports only a small part of her total output and that her exports therefore will not be so great as to produce intense competition with other nations. Once China enjoys an abundance of products, her domestic market will grow, and thus her imports will increase commensurately. In this way, two-way trade will expand and the trade imbalance between our two nations will be reduced. For this reason, the Japanese government should induce Japanese enterprises to invest in and transfer technology to China and to help Chinese firms carry out technological transformation so as to increase production and improve efficiency.

Conclusion

Although there were a number of ups and downs in Sino-Japanese trade in 1986, during the first six months of 1987 China's exports to Japan rose by approximately 35 percent over and her imports declined by about 10 from the same period the previous year. Though gratifying to China, this improvement resulted from cutbacks in imports. If we are going to expand trade, we should adopt a positive approach to balancing trade. The key to achieving these desiderata lies in strengthening Sino-Japanese economic cooperation in a realistic manner and in having Japan help China in a number of areas so as to increase Chinese exports, after which China's imports will rise correspondingly. In this fashion, Sino-Japanese trade will both develop and become more balanced, which will be beneficial to the economic development of both nations. At the same time, we must also skilfully maintain the most reliable assurance of continued growth in our economic and trade relations—good political and diplomatic relations. We must solidify these relations and act in accordance with the Sino-Japanese Joint Declaration, the Sino-Japanese Treaty of Peace and Friendship and the Four Principles of "peace and friendship, equality and mutual benefit, mutual trust and long-term stability." In this way, the two sides, through steady joint effort, are bound to be successful in continuing the expansion of trade and economic cooperation between our two countries and in contributing to peace and economic development in Asia and the Pacific region in the medium and long run.

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Country Urged To Compete in World Labor Market

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[Article by Liang Zhenming [2733 2182 2494] and Tian Yi [1131 5065]: "The World Labor Market and the Development of China's Labor Market"]

[Text] (1) The explosive growth in international labor

trade in recent years has attracted close attention from the world economic community and the governments of all nations. As China leads the world in human resources, it should tackle the opening up of the labor market as an economic development strategy. In the 15 years between 1970 and 1986, the value of international labor trade increased ninefold from \$100 billion to \$1,000 billion and now accounts for one-third of the total value of international trade, its growth rate far outstripping that of merchandise trade. This trend is expected to continue for the next 10 years or so.

For the first time in the 40-year history of the General Agreement on Tariffs and Trade [GATT], labor trade became an important part of the eighth round of global trade talks at a GATT ministerial conference in Uruguay in September 1986. At the labor trade negotiations that began last February, developed nations kept harping on the principle of "free trade," their aim being to preserve their edge in labor trade. Developing nations, for their part, did their utmost to protect their domestic labor markets since their own labor trade is still fairly undeveloped. Governments and international economic organizations concerned are all watching the situation intensely and studying ways to deal with it. The Chinese government has formally applied to GATT to have its position in the agreement restored.

Labor trade embraces a much broader area than is traditionally understood. It includes all economic activities outside the primary and secondary industries, such as finance, communications, tourism, insurance, transportation, and technical services, to name a few. It covers mental labor, such as consulting and other services by professors, experts, journalists, legal workers, artists, and engineering and technical personnel, as well as physical labor. A form of "intangible trade" as distinguished from merchandise trade, labor trade is known as a "smokeless industry" that gained prominence in international trade on account of its non-polluting quality.

In a certain sense, labor trade is based on the development of human resources. Over 40 million people are active players in the international labor market at the moment. Spearheaded by their knowledge explosion and favored by their concentration of capital and technology, developed nations have been pushing hard to expand technical services, general contracting, consulting by an array of senior experts, and direct exports, etc. Between 1970 and 1980, developed nations accounted for 85 and 75 percent of the world's total labor exports and imports, respectively. In 1982, five nations—the U.S., West Germany, Britain, France, and Japan—alone accounted for 41.7 percent of the world's combined labor exports. Since the 1970's, the U.S. has been running a deficit in its merchandise trade account almost every year. In contrast, its labor trade posts a surplus year after year. With its labor trade generating over \$100 billion in foreign exchange earnings, the U.S. has consistently been the world's No 1 nation in labor trade.

Comparatively, developing nations are latecomers to labor trade and account for a fairly small share of the business worldwide, which hovered around 15 percent throughout the late 1970's. In recent years they have been competing in labor-intensive industries in light of their national conditions and by exploiting their ordinary labor force. Exploiting their numerical strength, they have turned in a remarkable performance. The labor exports of India, Pakistan, and Turkey each top 1 million people, with Pakistan still exporting as many as 1.6 million workers this year. Pakistan became a labor exporter in the early 1970's when a few water conservancy projects and the departure of some Pakistani citizens overseas spawned a labor export industry. In just 10 years or so, it has joined the ranks of the world's leading labor-exporting nations and derives considerably more foreign exchange from labor exports than from merchandise exports. Between 1970 and 1980, the labor-export foreign exchange earnings of developing nations grew fivefold to \$17.5 billion. Meanwhile, total earnings from labor exports as a portion of the overall value of international labor trade also expanded to 30 percent. During the 1980's, developing nations have begun competing in high-tech services, tourism, transportation, and project contracting, in addition to continuing to exploit their advantage in labor-intensive industries.

(2) China is traditionally known for its "vast territory and abundant resources." As far as per capita natural resources are concerned, China cannot even make it to the top ten worldwide. But it does lead the world in human resources. According to the 1982 census, 54.6 percent of China's population, or 550 million people, are in the working-age bracket, which is 60 million more than Europe's total population. Between now and the year 2000, China's labor force will increase by more than 100 million people. In 1984, there were 2.36 million people in towns and cities across the nation waiting for employment. In the countryside, the surplus labor force already hit 50 million. The number of redundant workers in urban enterprises is also sizable. The development of these kinds of labor force is something that must be taken seriously. We must study and tackle the gradual opening of the domestic labor market, the development of the international labor market, and the expansion of labor trade in light of the nation's economic development strategy.

The next 30 years will be the golden age of China's human resources. After 30 years, a significant portion of the population will consist of only sons and daughters and the social labor force will shrink sharply. At that time aging will emerge as a social problem. If we ignore to exploit the golden age of human resources, we will also miss the "gold of the times."

The training of expertise aside, the expansion of labor trade, the opening up of the domestic labor market, and the tapping of the foreign labor market also are important elements of the development of human resources.

The labor market is a key component of China's economic structure. During the Seventh 5-Year Plan, China's working-age population will rise from the present 586 million to 673 million in 1990 and jobs have to be found for almost 100 million people. As economic structural reform gains depth and enterprises become more dynamic, they will try to maximize economic returns and minimize costs, with a corresponding reduction in employment opportunities. As a result of the "Bankruptcy Law," the mobility of redundant workers in cities and towns will increase. The expansion of labor trade and the opening up of the labor market are imperative in view of the conflict between the special interests of an enterprise and society's general interest, the development of a commodity economy amid reform, the incompatibility between the enhancement of the urban function and the choice of employment, mobility and the difficulties of competition, the demand of township and town enterprises for technical and managerial personnel, and the demand by urban residents for child care and miscellaneous services. Labor trade facilitates the sound circulation of social labor and enables the maximum number of laborers to choose the most valuable jobs where they can give play to their abilities. It offers both the work unit and the worker more choices. From the fluid process of selection and being selected, natural competition based on equal opportunity will emerge. Laborers will be spurred to constantly improve their quality. In the process, overall social performance overall will be bettered and the development of social productive forces will be stimulated.

Domestic labor trade is still in its infancy. There should be a plan to open up the labor markets in certain large cities and regions one by one. Efforts should be made to study the various forms of labor trade in both theory and practice and examine the problems existing in them. Apart from economic tools, legal mechanisms should be gradually used to unclog, regulate, and restrain the market to improve its operations. Also, care should be taken to protect the domestic labor market. In the process of importing foreign technology and hiring foreign personnel, we should go out of our way to adopt similar domestic technology and hire domestic experts of the same level of expertise. Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned enterprises too should use domestic technology and employ domestic experts and workers as much as possible.

Even as we open up domestic labor markets gradually, we should go all out to tap the international foreign market. Like most developing nations, China is a late participant in labor trade; only in the late 1970's did it step up research and organizational work in this area. As of late June 1987, China had 70 international cooperation companies engaged in labor trade with a combined contract value of \$7.25 billion. More than 50,000 Chinese laborers are working abroad. While it has secured a foothold in the ferociously competitive international labor market, China's nascent labor service enterprise is

at a much lower level of development compared to those of other nations. Currently the international labor market has tens of millions of active participants from all nations. In contrast, the number of Chinese laborers overseas does not amount to even 1 percent. The international labor market may rise and fall over time, but the value of projects contracted for each year is still a high \$80 billion, of which China captures a bare 1.5 percent. Of the 70 Chinese companies in the international labor business, at least one-third have not won a contract for years. It is obvious from the contrast between the boom in the international labor market and the underdevelopment of China's labor trade that the potential for human resource development is tremendous.

Expanding labor trade and prying open the international labor market are of immense strategic significance. Not only does labor trade constitute a crucial way to pool funds on a large scale, but it also helps train a host of economic, scientific, and technical experts. When as many as 1 million people come into direct contact with advanced foreign science and technology and managerial techniques and then channel them to the interior, the result is a mass historic adoption, which will definitely have an impact on China's scientific and technical standards, its civilization, and its national quality. As a "smokeless industry," labor trade has a formidable material base in China since the disparity between domestic wages and their foreign counterparts will persist for several years. We should put this wage differential to good use. If we work hard and overtake India and Pakistan, we will have 1 million workers active in the international labor market. With that many workers overseas instead of 50,000, the difference in returns will be obvious. As the country with the most human resources in the world, China should and can be in the forefront of international labor trade.

A glance through modern history shows that by sending students overseas to study and absorb "foreigners" science, technology, culture, and the arts, the Chinese government has indeed nurtured a large crop of trained personnel. But an even larger crop has been cultivated through non-government channels. Statistically, there are 50 million Chinese around the world. Talented individuals abound among foreigners of Chinese descent and overseas Chinese and play a pivotal role in international political affairs and economic activities. Take the situation in the U.S., for instance. Among Chinese males, 24 percent hold academic degrees of various kinds, double the national average. Forty percent of Chinese males occupy managerial positions, which is higher than the rates for other nationalities. Of all senior engineers involved in the moon-landing project, one-third were Chinese Americans. Of the 120,000 to 130,000 first-rate scientists and engineers in the U.S., one-quarter are Chinese Americans. Within China, over 60 percent of the core personnel engaged in atomic, space, and other state-of-the-art technologies in the early 1950's were scholars who had studied abroad or returned overseas Chinese. This legion of experts and scholars,

whether they have returned to China or are living abroad, has an important role in China's four modernizations as well as international affairs and economic activities. After China opened itself to the outside world in the wake of the 3d Plenum, in particular, many overseas Chinese with lofty ideals have actively provided China with capital and technology and offered valuable suggestions and advice regarding national construction. No other nationality in the world has anything comparable to this kind of historic "feedback."

Most of the Chinese who have made it overseas have ancestors who crossed the ocean to make a living and experienced all manner of hardship at a time when China was weak and its people were humiliated. The success of the present generation of professionals is inseparable from the tragic history of the Chinese. Today, behind our international labor trade drive stands a powerful motherland. By entering the international labor market, the state promotes the international exchange of expertise and provides almost 1 million people with job opportunities. In effect it is sending a large contingent overseas to "further their education," creating a favorable environment for tens of thousands of people to make something of themselves.

(3) The reasons for China's weakness in labor trade are manifold. For one thing, fierce competition in the international labor market and the steady increase in the number of international labor companies have created a buyer's market where a customer can impose such harsh conditions as bidding with capital, deferred payment, and payment in kind. Moreover, some of China's companies have cash flow problems, their labor costs are too high, and negative inter-company competition is frequent. Shifts in the international labor market are objective conditions, but problems existing within China should be resolved promptly.

Labor trade policies should be revised. Labor trade is a form of international exchange and a cooperative enterprise. It involves diplomacy, science and technology, foreign capital, finance, banking, customs, and insurance. There should be a uniform policy regulating and coordinating fund circulation, double taxation, bidding with capital, payment in kind, and other issues. There also should be a clear policy governing sensitive matters like individuals going overseas to offer technical and artistic services or engage in consulting. Appropriate regulations should be drawn up for people previously involved in top-security military and political affairs and senior technical personnel and essential professionals trained with state funds. Other than these personnel, individuals who are ready, willing, and able to establish an enterprise abroad should be allowed to do so. There should be no policy of discrimination against them. Instead they should be given protection. The individual should be encouraged to venture into all kinds of enterprise abroad as well as at home.

The forms of labor trade must be reformed. Apart from keeping labor trade in its traditional format, efforts should be made to explore new areas and study the possibility of developing labor trade in all forms and shapes. Non-government labor trade should be looked into and guidance provided for it.

The crux of economic structural reform in China is separating government from enterprise functions. "The government should take care of government affairs, while the enterprise should mind its own business." That would put an end to the abnormal situation of government and enterprises meddling in one another's affairs. As far as labor trade is concerned, the government department in charge should concentrate on analyzing the trends of labor trade, guiding enterprises to expand their business, stepping up the management and supervision of labor personnel, researching and formulating policies pertaining to labor trade, standardizing policies and regulations that are proven to work so that they are clearly written into law, and reconciling the various relationships in labor trade. What government departments in charge need not concern themselves with are detailed matters like the distribution of labor projects. Nor should the state undertake to pay for everything—clothes worn by workers overseas, food, insurance subsidies, and domestic wages—as it did in the past. Labor trade is an economic activity, not the despatch of a "labor ambassador" overseas. It should be a no-frills operation. Indeed, if labor costs get too high, China will naturally become uncompetitive. In many cases, enterprises should be left to solve their problems on their own within the framework of uniform national policies and under the guidance of the department in charge. Once the habit of "eating off the big rice pot" is broken, companies which have neither secured a single contract nor earned a single penny for years would automatically stop ferrying their people around in cars and making trips abroad. Separating government and enterprise functions and delegating authority hold the key to invigorating the existing companies in the labor business.

The private labor company operating under state guidance is a novelty. This kind of company does not accept a penny in state investment. Instead it pools capital to raise circulation funds. It also pays profit taxes in accordance with government regulations. By effectively absorbing society's idle funds and easing the burden on the state coffers, it offers a new approach to labor trade.

Labor trade is a form of systems engineering where one must not seek to make a quick buck or have a kill-the-goose-that-lays-the-golden-eggs approach. As they go about organizing labor trade, the enterprise must take pains to train and educate the workers in the general knowledge, law, language, and customs of the foreign nation concerned. Should a private company under government guidance fail to win a contract within a year, it must not be allowed to continue in its old way, as is the case with some state companies. The very fact that it is non-government means that it must be highly cohesive

and competitive. Even more important, private companies should be responsive to the needs of the international market, more flexible in raising funds, cutting labor costs, and gathering information, and more competitive.

The practice of reform proves that the private labor company is a dynamic force. In order to bring enterprise interests more closely in line with social interests, the government department in charge should diligently nurture its development and give it active policy and business guidance. The future of labor trade should be understood and improved in light of the economic development strategy. It should be developed in all forms and through all channels in order to open up the vast international labor market.

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AGRICULTURE

Qian Zhengying on Developing Aquatic Products
40060004 Beijing ZHONGGUO SHUILI [CHINA'S
WATER CONSERVANCY] in Chinese
15 Aug 87 pp 4-7

[Text of speech by Qian Zhengying, Minister of Water Resources and Electric Power, at the closing ceremony of the National Water Resources and Electric Power System's Fishery Working Conference: "Vigorously Develop a Major Product of the Water Resources and Electric Power System, Aquatic Products"]

[Text] The subject of my speech today is "Vigorously Develop a Major Product of the Water Resources and Electric Power System, Aquatic Products." The leading party group of the Ministry of Water Resources and Electric Power had decided to develop aquatic products for the following five reasons:

1. The CPC Central Committee and State Council set forth the following tasks for the aquatic products industry in their 1985 Document No 5, "Directive on the Policy of Devolving Authority to Lower Administrative Levels and Speeding up the Growth of the Aquatic Products Industry:" to strive to quadruple the output and more than quadruple the output value of aquatic products throughout China by the end of the century, raising the quantity of aquatic products from the current 5 kg per capita to 15 kg per capita, or the present world average.

We think that fulfilling these tasks set forth by the Central Committee and State Council will not only raise the living standards of China's people but will also improve the physiology of our whole race, as everyone knows that eating fish is beneficial to both health and brain development. The Central Committee and State Council have paid special attention to this matter. After issuing their Document No 5 in 1985, they also submitted to and had passed by the Standing Committee of the

National People's Congress a "Fishery Law" in January 1986. Based on the State Council's 1980 Document No 153, a report put together by the former Ministry of Water Conservancy, the Ministry of Finance, and the former State Administration of Aquatic Products and ratified by the State Council, our ministry of Water Resources and Electric Power has undertaken the job of developing the aquatic products industry on 30 million mu of reservoirs, constituting roughly 40 percent of the possible freshwater fish-farming area throughout China. We must strictly do our duty and resolutely complete the job entrusted to us by the state.

2. From a long-range perspective, reservoir fishery is the underlying strength of and key to the future of freshwater fishery, and also a business in which future construction in water resources and electric power ought to make a breakthrough. China's freshwater fishery has grown very quickly in the past few years. This was due mainly to the growth of pond fish-farming, with many fishponds having been dug in all areas. But since China has so many people and so little land, we are still faced with a huge job of increasing our food supply. Digging fishponds on arable land may be greatly restricted in the future. From this perspective, developing and using our 30 million mu of reservoirs should be the foundation and expected future of our freshwater fishery growth. From the perspective of water resources and electric power construction, we should recognize the fact that our 30 million mu of reservoirs were acquired by flooding more than 30 million mu of land. This was the enormous cost of building more than 80,000 reservoirs. It is generally thought that almost 10 million mu of the 30 million mu of flooded land was arable land which could have produced food. This flooding loss was a major result of water resources and electric power construction.

An additional cost of water resources and electric power construction was that dam-building blocked some fish and shrimp migration routes and affected their propagation. We have long measured the output of water resources and electric power in terms of returns from flood control, irrigation, power generation, and shipping. Of course, since output was higher than input, it has generally been considered to be worthwhile. We are now going on to ask ourselves whether we can improve water resources and electric power results, and partially or wholly compensate for the losses incurred from reducing the amount of arable land, food, and other agricultural products, by producing aquatic products on our 30 million mu of reservoirs and other bodies of water belonging to the water resources and electric power system. If we can accomplish this, we will be able to better utilize our natural resources, increase our wealth, further improve the capital-profit ratio of our water resources and electric power construction, and justify the continued building of reservoirs and hydropower stations. China now has more than 80,000 reservoirs with a storage capacity of more than 400 billion cubic meters. Based on the demand for developing and using water resources, relevant units have estimated that reservoir

storage capacity should be raised to 800 billion cubic meters. Yet we have been unable to build many reservoirs and hydropower stations because of excessive flooding losses. If we could develop aquatic products and fishery on reservoirs and partially compensate for the agricultural opportunities lost to flooding with the wealth thus created, it would be equivalent to a partial restructuring of agriculture. This would be very favorable to and a major breakthrough for future water resources and electric power construction. We think this demand and tentative plan are reasonable because we would be transforming land into water, and land output into aquatic output. Judged by the practical experience of certain advanced areas in the past few years, this should be quite possible.

3. As far as we can presently tell, water resources fishery is the most feasible economic activity in the development of a comprehensive use of water resources and should become the main direction of development. In the past few years, the "two pillars, one key" slogan proposed by the Ministry of Water Resources and Electric Power has been accepted and actively implemented by the many staff members and workers on the water resources front. Great achievements have been made in the area of developing multiple uses of water resources. Since 1986, we have given much thought to how we might utilize our water resources even more comprehensively. The water resources industry should determine its priorities and develop certain fast-selling products. We think that it would be quite appropriate to make water resources fishery our present priority and aquatic products its leading product. We believe this for the following reasons: a) Since we are engaged in managing water resources, aquatic products are our most readily obtainable resources; b) Water resources fishery is a new industry and is still generally quite backward; in other words there is great potential for development. Present output from our 30 million mu of reservoirs is still quite low and much of it is as yet undeveloped; c) There is a great demand for aquatic products, moreover, this demand will continue to grow; d) All levels of government, from the Central Committee to the provinces, municipalities, and autonomous regions, have paid special attention to water resources fishery because it is the people's will.

China's water resources fishery generally requires little input for quick output and, moreover, easily attracts funds from all areas. From the perspective of the water resources system, fishery can be developed not only on reservoirs, but also in ponds in hilly water resources farmland areas. Sichuan Province's Meishan County has introduced its experience on this fish-farming method at this conference. We can also use ditches left from after construction as ponds for fish-farming. Seaside tide gates and sea walls can be used to raise marine products such as shrimp. Water conservancy works, such as culverts and electromechanical irrigation and drainage pumping stations, can all generally be directly or indirectly used in the development of aquatic products. The resources

mentioned above all have some of the prerequisites for the development of aquatic products, some which can be used directly, others only indirectly.. For instance, electromechanical irrigation and drainage pumping stations are often idle but still able to process fish feed in order to serve overall development of fishery. Looking at their prerequisites, water conservancy works can either directly or indirectly be used to develop aquatic products and the diversified use of water resources should become our main priority..

4. Reservoir fishery should become a way for immigrants to settle down, and a key measure in water and soil conservation and in creating good ecosystems in reservoir areas. As long as the relationship between people and reservoirs is handled correctly, water resources can both support the people's production and diverse usages by water conservancy units will be able to support and promote each other. Suburban Huzhou in Zhejiang Province developed multipurpose reservoirs and built a good ecosystem in its reservoir area. Their experience may show us a good direction in which to develop reservoirs. They promoted water and soil conservation with reservoir fishery, and developed forestry and livestock breeding around their reservoir area in a comprehensive way. Reservoir management units say that they can both directly manage reservoir fishery, and also take the lead in providing technical services and organizing fishery related activities before and after production. They can organize people to raise fish in cages and produce fingerlings, or, in one comprehensive series, produce fingerlings, feed, engage in cold storage, , transportation, sales, and technical training, thereby expanding the scope of our production service.

5. It has been proved that fish-farming in the warm effluent of thermal power plants can make a special contribution to developing China's freshwater aquatic products industry, and aquatic products departments have praised it highly. This is a field in which many thermal power plants can rationally diversify their economic activities. Raising fish in warm effluent does not interfere with the safety of power production or the economic results of thermal power plants, whereas settling tanks must be used with great care. It is thus clear that, if they have water sources that can be used, at least some thermal power plants can raise fish in the warm effluent.

These are the five reasons why we have decided to regard aquatic products as a major product of the water resources and electric power system. We also recognize that this is the direction we should now take to develop fishery. We came to this realization gradually from our experience in carrying out overall national economic reforms and developing fishery using water and electric power resources. From now on, we should consider the economic, social, and ecological results as we expand water resources and electric power system fishery, regard

aquatic products as a major product to be developed by the water resources and electric power system, and fulfill the glorious task entrusted to us by the state.

I think that the way to fulfill this task may be summarized as relying on policy, science, and management.

1. Relying on Policy: The policy of opening up and stimulating the aquatic products industry was fully set forth in the Central Committee's Document No 5 in 1985. We should conscientiously study, understand, and implement it according to our own conditions. We are now making the following four tentative suggestions: a) The water resources and electric power system should deregulate fishery. In our view, this is the primary policy. If we decide to make aquatic products our major product, we will be able to give fishery its proper position and list it as an essential item in our engineering plans, designs, capital construction, production orientation, goods and materials supply, research, and education; b) When developing fishery in our water resources and electric power system, we should continue to implement and perfect various forms of the economic contract output-related job responsibility system and improve our economic results; c) Develop a system where water is administered by law and supported by the people. People in reservoir areas should be guided systematically to develop a variety of economic undertakings and fishery. Our water conservancy units have had many misgivings on this point, fearing that if reservoir areas were opened to the public, there would be chaos, and reservoir natural resources would be harmed. These misgivings are certainly reasonable. But we must understand that developing fishery in a way that factors in economic, social, and ecological results is something we cannot do by our units alone. Of course, while working for the good of society, our units must also continue to improve their own economic results and material benefits for their staff members and workers. From a larger perspective, and that of developing our entire reservoir system, our water conservancy units cannot ensure everything. Depending solely on our water conservancy units to develop and manage 30 million mu of reservoirs would not do in the various areas of funds, technology, and manpower. Therefore, in terms of development on a large scale, ever since publication of the State Council's Document No 153 in 1980 and the Central Committee's Document No 5 in 1985, we have had to rely on the masses to develop the reservoirs, and the needs of the people should be ensured by the reservoirs. Of course, opening reservoir areas to the public will have to be guided step by step, and will require water resources legislation and its enforcement; d) We must develop lateral coordination, including coordination of production with research, cooperation between water resources and electric power units, coordination between water resources and electric power units of the one hand and units engaged in production of aquatic products on the other, and cooperation between water resources and electric power units on the one hand and, on the other hand, various other

industries and enterprises. In summary, relying on policy means "deregulating and stimulating" and, based on our specific conditions, learning how to further "deregulate and stimulate."

2. Relying on Science. The experiences of all areas have fully shown that fishery in water and electric power resources is a science. If we work scientifically, we will be able to make great progress. In developing fishery, we will have to draw up scientific plans, carry out scientific guidelines, develop scientific research, and build a corps of specialist. At present, we must first improve our professional leadership. Since our water resources and electric power industry does not have qualified personnel in this area, we will have to replenish and improve our professional leadership and include aquatic products research and education in our water resources and electric power plans.

3. Relying on Management and Administration: We have said that we will regard aquatic products as a major product of the water resources and electric power systems. Naturally, this product should be a commodity, and we should seek to continuously improve the returns from it. After clarifying our policy and mastering certain scientific research achievements, the various localities and units will have to rely on management and administration to use policy and science as weapons to achieve their own results. All grassroots units should continue to seek to improve their management. The quality of management has a major effect on results. All of our county water conservancy bureaus that are able to develop fishery must learn how to improve their overall fishery management and administration. Fish-farming in small and medium-sized reservoirs as proposed by reservoir fishery studies makes a lot of sense. The key is for reservoir fishery to be carried out at the county level and to improve overall management and administration of fishery. Our provincial, local, and municipal departments must learn how to manage the fishery industry and serve basic levels. The Ministry of Water Resources and Electric Power is ready to implement the spirit of this conference throughout the ministry and make aquatic products a major product. We are asking all related departments and bureaus to put on their agendas the development of relevant tasks in areas, such as programs, designs, plans, statistics, capital construction, production, financial affairs, goods and materials, irrigation and water conservancy works, rural electrification, research, and education.

The ministry's party group has made it clear that it is the responsibility of the water conservancy departments to manage the fishery industry of the water resources and electric power system. It has asked each water conservancy department to put a deputy director in charge and, without increasing the authorized size of the ministry, set up an aquatic products office via internal reorganization, and pay strict attention to formulating relevant regulations and standards. The Ministry of Water Resources and Electric Power's subordinate Water

Resources Industrial Corp has decided to set up an aquatic products department to coordinate development of the water resources and electric power system in all areas.

The Ministry of Water Resources and Electric Power set up the Reservoir Fishery Institute in Wuhan in cooperation with the Chinese Academy of Sciences several years ago. Its work has been very successful in these few years, and we are ready to continue to improve. Ever since the SHUILI YUYE [WATER RESOURCES FISHERY] journal, jointly published by the Water Resources Industrial Development Corp, the Water Conservancy Department, and the Engineering Management Training Center, started publication, it has consistently focused on the needs of production and played a useful role in speeding up development of water resources fishery. We are also prepared to improve our efforts in this journal. With the support of the Ministry of Agriculture, Animal Husbandry, and Fishery, the Ministry of Water Resources and Electric Power has asked the Central China Agricultural University to train highly-skilled aquatic products technicians, and we are taking further steps to expand our training programs. Of course, we can only be responsible for training some high-level aquatic products technicians and hope that all the provinces are taking steps to train their own aquatic products technicians at all levels of skill.

Since their conditions vary, we are asking all drainage area organizations to study and make suggestions. Hydropower stations and reservoirs directly under the Ministry of Water Resources and Electric Power must rely in principle on local governments to develop reservoir fishery and, in some localities, they can also engage local water resources or aquatic products departments as their acting managers and administrators. We hope that they will all be able to sign relevant agreements to define their respective responsibilities, rights, and interests.

Fishery in thermal power plants should not be developed in a blanket fashion. Premised on ensuring safe power generation and smooth day-to-day operations, and based on the plant's own needs and capabilities, it should be developed in line with the plant's conditions. We hope that, after returning home, leading party groups in all units, and those in each provincial, municipal, and regional water resources (electric power) departments (bureaus) in particular, will study and discuss the "Fishery Law," the Central Committee's 1985 Document No 5, and the State Council's 1980 Document No 153, understand the spirit of this conference, report it to their provincial, municipal, and autonomous regional leaders, and plan their own work accordingly.

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Pasture Improvement by Aerial Seeding
40110002 Hohhot ZHONGGUO CAODI [GRASSLAND OF CHINA] in Chinese No 5, Sep 87 pp 21-22

[Article by Huang Wenhui [7806 2429 1920], Institute of Animal Science, Chinese Academy of Agricultural Sciences]

[Summary] Artificial improved pastures have developed rapidly since 1979 in all regions of China. There were totally about 860,000 hectares (ha) in 1980, and the estimated area in 1985 is 6,660,000 ha. The expected acreage will be 33,330,000 ha in the year 2000. Portions of these pastures were established by means of aerial seeding. It amounted to 860,000 ha over 120 counties in 22 provinces between the years 1979-1986. The prospect of this aerial seeding seems promising in the sparsely populated northwestern and southwestern vast areas as well as in the hilly regions of central China. However, the quality of grass seeds and also the most suitable time for seeding should be emphasized. The investigations in the last few years proved it was successful both from their ecological and economical benefits as ruminant livestock production will soon be improved in this country.

/9604

Immunoenhancement Activity of Bee Pollen and Its Acetone Extract in Mice

40110005 Tianjin YINGYANG XUEBAO [ACTA NUTRIMENTA SINICA] in Chinese
No 3, Sep 87 pp 219-220

[Article by Qian Bochu [6929 0130 0443], Zang Xingwing [5258 2502 2502], Qi Baofeng [2058 1405 7364], Mao Lizhen [3029 7787 3791], and Xi Yulian [1598 3768 5571], Zhejiang Academy of Medicine, Hangzhou]

[Text] Immunoenhancement activity of bee pollen and its acetone extract was studied in normal, sarcoma-180 bearing mice treated with cyclophosphamide and antilymphocyte.

Bee pollen and its acetone extract given orally for 30 days could significantly increase the production of serum anti-SRBC hemolysin (HC_{50}) and the number of spleen plaque forming cells (PFC) in primary response to sheep

red blood cell (SRBC) in young and adult mice. The acetone extract of bee pollen could significantly prevent the decrease of HC_{50} , the number of PFC and specific rosette forming cells (SRFC), and the quantitative hemolysin of spleen cells (QHS) against SRBC in S-180 bearing, cyclophosphamide- and antilymphocyte serum-treated mice respectively.

These results suggested that bee pollen of *Brassica campestris* L. and its acetone extract have immuno-enhancement activity.

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Study On Biotechnology Applied In Crop Breeding—I. Variation In The Character Of Rice Induced By Exogenous DNA

40110001 Fuzhou FUJIAN NONGXUEYUAN
XUEBAO [JOURNAL OF FUJIAN AGRICULTURAL COLLEGE] in Chinese 18 Sep 87 p 182

[English abstract of article by Chen Qifeng [7115 0796 6912], Zhu Xiuying [2612 4423 5391], Chen Zhang [7115 3864], Lin Xuejian [2651 1331 0256], and Lu Qin [4151 0530] of the Institute of Genetics and Crop Breeding, FAC]

[Text] In this experiment, exogenous DNA (a product of the Shanghai Milk Co.) was used to treat the rice (*Oryza sativa* L.) seedling, Jinzao No. 4, to inducing the morphological and biochemical variations. Four variant plants were obtained. One possessed higher lysine, methionine, and protein content than Jinzao No. 4. The others differed from the parental type in colour, plant pattern, isoperoxidase, and other characteristics. The result obtained demonstrated that the rice seedling could uptake exogenous DNA and might be induced to produce variations.

/06091

Cracking Down on Sale of Fake Commodities
40050036 Shanghai WEN HUI BAO in Chinese
10 Oct 87 p 1

[Article by Wang Lin [3769 3829]: "Merchandise Counterfeiting Widespread in Certain Areas"]

[Excerpts] The making and selling of fake commodities, which is illegal, has become a serious problem in some places in recent years. According to incomplete statistics from 21 provinces, municipalities, and autonomous regions, 94,586 major and important cases involving merchandise counterfeiting were investigated in the past 2 years and 192.95 million yuan were collected in fines.

Deputy Director General Gan Guoping [3927 0248 1456] of the State Industry and Commerce Administration described the characteristics of the manufacturing and selling of shoddy bogus commodities at a recent press conference. First, it is a crowded field. Second, the counterfeit commodities are highly diversified. They include not only daily consumer goods like cigarettes, liquors, food, bicycles, watches, and domestic appliances, but also means of production such as cement, aluminum ingots, chemical fertilizers, pesticides, and seeds. Third, the quantity of fake commodities is vast. Fourth, dirty tactics are used—adulteration, passing off a fake for the real thing, palming off shoddy products as quality merchandise, using famous brand names and factory addresses fraudulently, and counterfeiting imports.

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NORTH REGION

Party Secretaries Discuss Separating Party, Government Functions

40050035 Beijing GUANGMING RIBAO in Chinese
30 Oct 87 p 1

[Article by Wang Genghu [3769 1649 5706]: "A Sensible Party Secretary Must Set Priorities"]

[Excerpts] I met Secretary Du Wuan [2629 0063 1344] of the Linfen Prefectural CPC Committee and Secretary Yi Yaoguang [2081 5069 0342] of the Yuncheng Prefectural CPC Committee at the quarters of the Shanxi delegation.

I said, "After going to meetings day after day, you must be tired."

"No, this is better than working at the unit. So many people want to see me back home that sometimes I don't even have time to eat," Yi Yaoguang said.

"Everyday I get home after work, there are people waiting to see me," Du Wuan said. "As a result, my wife cannot sleep and the children cannot study. I too have trouble I cannot get rid of."

"That is why he is all for separating party from government functions," Yi Yaoguang said, laughing.

Du Wuan stood up and said, "In his report, Comrade Ziyang proposed that party and government functions be separated. I have been looking forward to that for a long time. We have always wanted to be sensible secretaries."

"What does it take to be a sensible secretary?" I asked.

Du Wuan said, "Take, for instance, the question of what a secretary should handle. In the past, nobody had any idea. It seemed that he should do everything. After all, didn't we say the party should exercise leadership in everything? Then the party secretary should get involved in everything. Even if you left something alone, others would get you involved. Worker recruitment, personnel transfers, the purchase of chemical fertilizers, homeless people, production problems, attracting foreign capital—all that had to be taken care of. The secretary is human too and does not know everything. There are things that I, for one, do not know. If you simply talk nonsense, should the people listen to you or not? How

can one do a good job that way? There is no choice but to ask a clerk to write some of the speeches. If what he says does not make sense, then people would say I don't make sense..." At this point he burst out laughing. We also laughed loudly.

Yi Yaoguang said, "If a secretary takes care of everything, the result is that all the problems end up on his desk. People pass the buck whenever they can, which finally stops with the secretary. Thus the secretary becomes the center of all kinds of problems. If he cannot free himself from trivial things and day-to-day administrative work, he will not have the energy to concentrate on the party's organizational and ideological construction. Originally the fear was that party-government separation would weaken party leadership. Now it seems that party-government separation would strengthen and improve party leadership instead of weakening it. This is because party leadership is political leadership, that is, leadership in setting political principles, political direction, and major policies."

"In a word, take care of important matters and leave the minor things alone," Du Wuan said. "The purpose of separating party from government functions is to strengthen and improve party leadership. In the past I took charge of everything, including many I should not handle. How can you run the party properly if you attend many meetings, have a hand in numerous things, and get engaged in things that belong to others?"

"That is why I believe that separating party from government functions would unleash the initiative of the government and all sectors," Yi Yaoguang said. "Let the government and all sectors do the best they can. If the party committee, particularly the party secretary, runs the whole show, that would stifle everybody's initiative. How can this kind of secretary be considered a sensible secretary?"

I asked them how they proposed to be sensible secretaries.

Du Wuan said, "Delegate authority!"

Yi Yaoguang said, "This is the first thing I would do when I go back: separate the party from government functions in strict accordance with the spirit of the CPC Central Committee."

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Interview With Reverend Kao Chung-ming
40050037 Taipei HSIN HSIN-WEN CHOU-KAN [THE JOURNALIST] in Chinese 1 Nov 87 pp 24-28

[Interview with Kao Chung-ming, executive director of the Presbyterian Church, by HSIN HSIN-WEN CHOU-KAN reporters Hua Yiwen [5363 6654 2429] and Chen Minfeng [7115 2404 7685]: "It's Time We Took a Stand"; date and place of interview not given]

[Text] Reverend Kao Chung-ming [7559 0193 2494] marched with the clergymen support group on 19 October. He had earlier been imprisoned on suspicion of sheltering Shi Ming-de [2457 2494 1795]. At the time he was released from prison, Reverend Kao Chung-ming declared he would not involve himself in politics again. As a gesture of support for Tsai Yu-chuan [5591 2589 0356], an advocate of Taiwan independence, however, he took part in the march. Reverend Kao Chung-ming and Reverend Luo Jung-kuang [5012 2837 0342], one of the leaders of the march, tell us the full story of the march and discuss the political position of the Presbyterian Church.

Question: Why did the Presbyterian Church decide to organize this street protest?

Kao Chung-ming (abbreviated hereafter as Kao): The move was initiated by the United Prayer Society, a group that grew out of spontaneous grassroots actions to show concern for the family members of political prisoners and prisoners of conscience. The two gentlemen, Tsai Yu-chuan and Hsu Tsao-te [6079 2580 1795], were imprisoned because they assumed responsibility for the passing by the Political Prisoners Association of a constitution advocating Taiwan independence. To the United Prayer Society, their imprisonment was not right since the constitution guarantees freedom of speech. Besides, they do not seek to use force to achieve their goal and certainly are not trying to overthrow the government. From their research, they concluded that Taiwan should be independent and that is the only way to save all Taiwan countrymen. It was only their insight and love for Taiwan that prompted them to express that kind of opinion. That is why I admire the United Prayer Society for taking this act of love on its own, spontaneously and not under order. In principle I do not consider what I am doing political involvement. I believe the right to march is a civil right available to the citizens of a democratic state.

Question: What does the headquarters of the Presbyterian Church think of this affair?

Kao: The headquarters is behind freedom of speech 100 percent. It also backs the show of concern and support for political victims.

Question: The clergymen support group broke through the police blockade that day. Wasn't that kind of action too extreme?

Kao: At the time I was on the sixth floor trying to work out a compromise with Director Liu. He simply said no to our march. But if we insisted on marching, he said, we must not carry the banners because they had these words on them—"everybody has the freedom to call for Taiwan independence,"—words objected to by the government. So he indicated repeatedly that we must not carry the banners. Should we march with them, they would certainly stop us, which was bound to lead to clashes.

For my part, I told him that many churches and people concerned about human rights around the world were watching the situation closely. If clashes broke out, the image of the nation and the government would suffer. Out of consideration for the nation's democratic and rule-of-law image, the police should not behave that way. While the police has its principles, we must respect our principles too.

Besides, citizens have the freedom to march. Therefore not only must we march, but we must also tell everybody the objectives of the march so that they would know why we were marching. Only that way could the march achieve its purposes of education and enlightenment. Under these conditions, I suggested that Director Liu not block us in order to save the nation's image. For our part, we decided to stick to our original plan; if the police were to make arrests and so on after we arrived at the Supreme Court and handed in the letter of protest, it would be up to them.

Question: The clergymen insisted on charging forward and clashing with the police that day. Did they ever think of the consequences if there was bloodshed?

Kao: Our principle is that we will not fight back if we are attacked.

Question: But accidents are unavoidable in a melee. For instance, it is dangerous to run and give chase in an express lane...

Kao: True. I think both sides must do some careful thinking. An accident would have been extremely regrettable. But had the police allowed us to march peacefully that day, wouldn't everybody have been happy?

Question: Did this action have the support of all 200,000 followers of the church?

Kao: I think that has yet to be determined. But I believe most followers of the Presbyterian Church support this righteous act.

Question: The primary reason the church stood up and did something this time was to support Tsai Yu-chuan. Is that right?

Kao: That is the direct reason. When a colleague of ours ran into this kind of problem, we, as friends, must stand up. But the most important reason is to fight for freedom

of speech for 19 million countrymen. At a time when Taiwan is facing difficulties, we must think of a way to secure a bright future for our Taiwan countrymen. We must not let them down.

Question: The Kuomintang [KMT] has a history of limiting speech. Why did you not take any position then but choose to take a stand on the issue of Taiwan independence?

Kao: Because this is a most sensitive issue and the government has tried very hard to silence the voice of Taiwan independence. To us, however, independence is extremely important and valuable to Taiwan's future. If the government does not allow scholars or objective, fair-minded people of conscience to discuss this matter, Taiwan will suffer greatly, something we do not want to see. That is why we decided to stand up now and declare loud and clear that everybody has the freedom to advocate Taiwan independence. This general principle must be adhered to.

Question: Does it mean that the church is inclined toward Taiwan independence and therefore considers it important and worth taking to the streets for?

Kao: Our human rights declaration 10 years ago already urged the government in no uncertain terms to face reality and take effective measures to make Taiwan a "new and independent nation." This is only our proposal. We do not intend to overthrow the government by force. We only want to urge it to take effective measures courageously and intelligently to turn Taiwan into a "new and independent nation."

Question: It has been several years since the Presbyterian Church that the government build a "new and independent nation." Could you restate the meaning of the original proposal?

Kao: By a "new nation," we refer to a society without injustice, unfairness, privilege in all its manifestations, and inhumanity. "Independence" means that Taiwan should have its own government and is not part of Communist China. Our government must be a political entity that enjoys international respect. That is our proposal.

The present government often claims it represents the entire Chinese people. But then it also says our population is 19 million, which makes it a laughing stock in the world. We hope the government would honestly say we have only 19 million countrymen. Our only wish is that the government will not lie and deceive the common people and that through all kinds of reforms, we will become a nation where there is genuine rule of the people, for the people, and by the people.

As early as 10 years ago when the United States sent a representative to Beijing, we predicted that the United States would establish diplomatic ties with Communist

China and sever its relationship with Taiwan. This put Taiwan in an extremely perilous crisis. A single misstep and it might be sold out by the United States. The fact that both Communist China and Taiwan claim Taiwan is part of China can be used as an excuse for betrayal.

We understood this crisis, so we bravely spoke out and urged the government to establish a "new and independent nation" that would be a brotherly state to Communist China. We recognize the blood relationship between us and them: All of us are part of the Chinese race. But I do not recognize I am a citizen of Communist China.

Question: Because of your anti-communism?

Kao: Yes. We are opposed to materialistic and atheistic communism. Because of our faith, we want to live in a just and free society.

Question: Do you recognize the nation's existing name and government?

Kao: We do not discuss that issue. It is too specific. What we put forward is only a general principle: we want an independent and self-governing nation.

Question: The attire of a clergyman evokes justice and truth in the public mind. Have you thought of the consequences of taking to the street dressed as a clergyman, as you did?

Kao: If one is to love one's countrymen, one must realize one may be misunderstood. This is because he who calls for justice in an unjust society is bound to be persecuted. Even as we began our march, we were aware we might be arrested, but we did not care how much we were going to suffer. This was our motive.

Luo Jung-kuang (abbreviated as Luo hereafter): It is a serious matter for a clergyman to take to the street. The main purpose was to tell the public and government that what had happened was unjust and unconstitutional. If we did not stand up, who else would? Who else would have the courage to fight for these lofty ideals and proposals? The clergyman is better able to look ahead to the future and detect any crisis or trends that may be coming. Certainly I say this because that is what I expect of myself. The clergyman should be a person of foresight. Otherwise he is a "sham" clergyman.

Question: It is one thing for a clergyman to be socially concerned, but when all is said and done, he is not a political figure...

Luo: A clergyman is also a citizen of the nation. When clergymen put together a support group to show their concern for a certain policy, they are doing their duty. Besides, we are forthright about our identity as clergymen. We do not seek to hide the role we play.

Kao: That is also the way I see it. The clergy is society's conscience. When we discover a social injustice, we should stand up.

The concerns of a clergyman are not limited to church affairs, but extend to society at large. That is God's will. That is why we must do what we have done.

Question: The Presbyterian Church has been fairly quiet for the past decade. Does the latest incident signal the beginning of renewed attention by the church to politics in the future?

Kao: Politics is something we must interest ourselves in. Back in 1971 when we issued the "Declaration on National Affairs," we already made it clear that Jesus Christ is a god for all mankind. To protect each and every person's human rights, we must work hard. Taiwan's future should be decided by Taiwan's entire population. We must not let any government sell Taiwan out to the Chinese Communists.

Thus we also propose new elections to choose an entire new slate of national people's representatives. Or maybe we can adopt the West German model. This is indicative of the desire of the church to create a bright and just society where human rights are safeguarded.

Question: Does this mean the Presbyterian Church would continue to take part in political activities in the future?

Kao: We have already said that the church is not a political organization. It is not a political party and does not have links with any political party. But the church must concern itself with politics, human rights, freedom, and things like that. As far as those matters are concerned, the church is interested and will take action.

Question: Does it therefore follow that you personally will take part in similar activities? If yes, would that not contradict what you said earlier about not participating in political activities again?

Kao: I did not say I would stay away from politics. I said only that I am a clergyman, not a politician. But as I noted above, a clergyman too must be interested in politics. And good policies can benefit countless people. Politics intimately affect everybody. A wrong policy,

such as Hitler's massacre of Jews, will lead to many deaths. As a clergyman, therefore, I would continue to concern myself with political, cultural, economic, social as well as religious affairs.

Question: How do you propose to separate the clergyman's role in the church from that on the street?

Kao: We preach in church, but occasionally we also take to the street to preach and exert ourselves on behalf of human rights, working together with the general public. This is because the nation's future is everybody's responsibility. Thus we must function as citizens as well as clergymen.

Question: Reportedly the church has had contacts with the center of the KMT? What are the KMT's demands?

Kao: We tried to work out a compromise, but the church needs additional time to discuss the more important issues, not just the peripheral matters. By "important issues," we mean the significance and feasibility of establishing a "new and independent nation" and similar matters. Our dialogue thus far has not been very thoroughgoing. So we have indicated to the people concerned we need more time to talk things out.

Question: What are their reactions to the latest incident?

Kao: Two kinds of reaction so far. One group of people seemed confrontational and expressed deep regret at the beginning, but remain placable on the whole. The other group asked why we must insist on taking to the street even though we had been talking to each other. It is hoped that in the future we can engage in a more in-depth dialogue to work out some of the more sensitive questions.

Question: You said you hope to have more in-depth contacts in the days ahead. Does it mean the Presbyterian Church will become a political pressure group?

Kao: Our only concern is whether politics is sound. I do not like to use the term "pressure group." We look forward to becoming an organization that promotes democracy, the rule of law, human rights, and social justice.

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