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**CHINESE MILITARY, ECONOMIC, AND POLITICAL  
REFORM: SURVEY AND CHRONOLOGY,  
July 1 - December 31, 1987**

*A Report Prepared under an Interagency Agreement  
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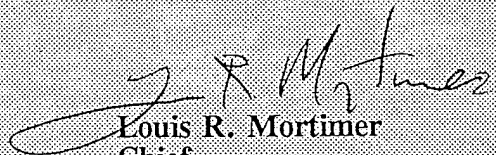
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## PREFACE

This survey examines the course of Chinese military, economic, and political reforms as reported between 1 July and 31 December 1987. For each topic, a brief statement of goals is followed by a discussion of the policy statements and key actions of the period. A chronological list of such statements and actions is appended. The study is based on a variety of open sources, including US, Chinese, and other foreign newspapers, periodicals, wire services, books, and journals.

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## GLOSSARY

CCP	Chinese Communist Party
NDSTIC	National Defense Science, Technology, and Industry Commission
NORINCO	China North Industries Corporation
NPC	National People's Congress
PLA	People's Liberation Army

## SUMMARY

During the second half of 1987, the prospects for further comprehensive reform of China's economic and political systems improved with the victory of reformists over their leftist opponents at the 13th Chinese Communist Party (CCP) Congress (25 October-2 November 1987). Zhao Ziyang, elected as CCP General Secretary by the Congress, expounded the theory of the initial stage of socialism, an ideological justification for further economic and political reform and experimentation. Although many powerful CCP leaders doubtless disagreed with or had reservations about some of the reforms Zhao proposed, their disagreements generally reflected concern over the timing or likely economic effect of particular reforms or the conflicting interests of particular industrial or bureaucratic constituencies. Disagreements were less likely to result from ideological concerns or to be expressed in the absolute, uncompromising terms of the leftists.

A number of particular reforms of the military, economic, and political structures were introduced at the working level. The People's Liberation Army (PLA) continued its noncontroversial reforms intended to increase military proficiency through providing better training for officers and restructuring military units to enable them to coordinate various service arms such as artillery, infantry, and armor. Reforms in equipment development and supply introduced contracts and competitive bidding to the military-industrial sector. Markets for foods, capital, raw materials, and urban real estate continued to expand, and party leaders, although postponing price reform, pressed state factories to adopt managerial responsibility systems to become more productive and responsive to market demands. The political reform plan called for further separation of party and state, the creation of a civil service system, and more consultation and low-level democracy to counter bureaucratism. Political reform, it was made clear, would proceed slowly and under the control of the CCP and would not threaten party authority.

## 1. INTRODUCTION

The reform effort promoted in the 1980s by Deng Xiaoping and his associates such as Zhao Ziyang has aimed at a transformation of the Chinese state and society as total as that attempted in the Great Leap Forward (1958-60) or the Cultural Revolution (1966-76). Calls for extensive changes in China's economic and political structure have resulted in controversy, disagreement, and contention in the leadership. Some leaders, such as party elder and economist Chen Yun and Chairman of the Standing Committee of the National People's Congress Peng Zhen, have agreed that some reforms are necessary, but have disagreed with Deng on the scope and speed of needed reforms. Still other leaders, such as ideological specialist Hu Qiaomu and propaganda veteran Deng Liqun, have regarded some of the proposed reforms as threats to the authority of the CCP and to basic ideological tenets. Dispute over reform and deep disagreement over basic policy directions came into the open with the unexpected dismissal of CCP General Secretary Hu Yaobang in January 1987.

The high point of the reform effort came at the 13th CCP Congress, which met in Beijing from 25 October to 2 November 1987. The Congress elected Zhao Ziyang as CCP General Secretary and approved his program for further reform of the economy and political structure. The extreme opponents of reform lost both CCP positions and face at the Congress, which selected a new leadership composed of proponents of economic and political reforms. The Congress also approved Zhao Ziyang's formulation of the initial stage of socialism, which provided ideological justification for a wide range of reforms.

Military reform, directed at professionalization and better coordination between specialized branches of the military, was the object of little public debate or dispute. Economic reform remained the topic of considerable discussion and debate, as reformers and academic specialists discussed which of many experimental practices was most effective. Local political leaders in many cities pressed ahead with "experimental" economic reforms, while CCP conservatives expressed doubts about the propriety of so many markets or of such proposed practices as the sale of stock by state enterprises. Political reform, clearly a very sensitive topic, was defined by senior leader Deng Xiaoping as a controlled and careful process that would not threaten the authority of the CCP.

## 2. MILITARY REFORM

Military reform received relatively little attention in China's press in the second half of 1987. A more professionalized and technically proficient armed force remained the primary goal of military reform. The modernization of the PLA is to be carried out with constant or even shrinking budgets, with funds made available from cuts in troop strength to be used for the purchase of advanced equipment. In October 1987, Xinhua announced that the million-member reduction in force had been successfully completed, and that the PLA was looking ahead to modernization during a period of international peace and stability. By late 1987, the reorganization of military units and improved training for officers were becoming routine, and the wave of military reform was reaching the reserve units and the military industrial system.



a. Reserves and Militia

Cuts in active duty troop strength are intended to be complemented by the creation of a reserve system. During the second half of 1987, more new reserve units, including the first naval reserve training group, were established. Meanwhile, militia enrollment declined, with militia units described as smaller but of higher quality. Specialized militia units drew personnel from several townships or enterprises, breaking the former pattern of single settlements or work units fielding general purpose "small but complete" militia units. The distinction between reserves and militia remained obscure, and the confusion in press accounts may have reflected confusion and possible bureaucratic wrangling. The Nanjing Military Region was reported to be "experimenting" with reserve and militia structures, indicating that the high command had not yet prescribed a standard organizational form, and that composition of reserve and militia units as well as their relationships to active duty forces and to each other was yet to be determined.

b. Military Industries

Efforts to break down the barriers separating the traditionally closed and self-sufficient military industrial and logistic system from its civilian counterparts continued. More military facilities such as harbors and airfields were opened to civilian use, and military factories continued their efforts to produce for the civilian market and to export civilian goods. (Exports of military hardware were not discussed in the press.) The shift to procuring military equipment through contracts open to competitive bidding and awarded by the end-users of the equipment was reported to be off to a good start, with over 150 contracts signed. The largest such contract, won by an unidentified Chinese bidder, was for the design and construction of a guided missile escort ship. Under new regulations, military research and development funds went to military users (not further specified) who could decide what equipment they needed and solicit bids from any supplier, military or civilian. The changes in the military procurement system were intended to promote better coordination between military research institutes, factories, and the units that used the equipment, and in this way to parallel reforms in the civilian research and development sector, which also stressed contracts as a way of improving links between research and production.

c. Modernizing the Peacetime Army

Following the June 1987 announcement that the PLA expected no major war in the near future, senior military leaders explicated some of the consequences of this assessment. In statements directed at the PLA rank and file, leaders exhorted the troops not to relax but to take advantage of a possibly brief period of international stability to redouble efforts to modernize the forces and raise their technical proficiency. Other statements, presumably directed at civilian leaders, stressed the importance of strong military forces to China's national security and implied opposition to further cuts in military budgets and a possible claim for increased spending. A series of commentaries and speeches by political and propaganda specialists hinted at problems with corruption and loss of morale in some PLA units. The root of the problem appeared to be the role of the PLA in the reformed economy and the lack of

guidelines on what constituted proper PLA participation in and profit from the civilian economy. With pressure on the military to use its often superior facilities and skills to contribute to the civilian economy, and with a climate favoring profitability and entrepreneurship, the temptation for some PLA units to concentrate on making a killing in the marketplace rather than on the battlefield was evident. As civilian living standards rise, the PLA, like the armed forces of many other countries, will have to cope with disparities between the military virtues of duty, self-sacrifice, and disregard for personal comfort and convenience, and the civilian virtues of pecuniary calculation, consumption, and self-direction.

### 3. ECONOMIC REFORM

Discussion of economic reform revived during the second half of 1987, as the campaign against bourgeois liberalization waned and as Zhao Ziyang increasingly asserted his authority over the CCP. The major themes of economic reform--extension of managerial responsibility systems in state enterprises and expansion of markets and market principles--reflected Zhao's priorities and predilections. At the 13th CCP Congress Zhao made a major policy address which used the theory of the initial stage of socialism to provide a complete theoretical and ideological justification for economic reforms. His vision of the state controlling the economy through indirect, macroeconomic means was summed up with the slogan "The state regulates markets, markets guide enterprises." Meanwhile, in the provinces, small, incremental steps in economic reform continued, with more managers of state enterprises signing contracts and taking responsibility for profits, more shops being leased to individual proprietors, and markets for urban real estate developing.

#### a. The Initial Stage of Socialism

The major event in the discussion of economic reform and policy was Zhao Ziyang's authoritative exposition of the theory of the initial stage of socialism. Zhao's formulation justifies a wide range of reform initiatives and serves both to defend reform from ideologically-based attacks and to project a consistent vision of a developing economy. It begins, in proper Marxist fashion, with the forces of production, observing that in China the productive forces are poorly developed. That is, China is a poor country with relatively low standards of living. Proper socialism (which Zhao does not define in any detail) cannot be based on poverty, nor should the populace be expected to remain content with low standards of living. According to Zhao, socialism is considered a goal, something to be developed slowly, step-by-step, over a period of a century or more. The more highly developed the forces of production, the more possible will it be for society to attain socialism, and the more evident the superiority of the socialist system will be to the population.

It follows that in the present initial stage of socialism the primary task is to develop production, improve standards of living, and raise levels of output and productivity. As long as collective public ownership of the means of production predominates, society is fundamentally socialist and on the right track. In the initial stage, it is normal and appropriate to have a mixture of types of ownership and to use a number of economic means and techniques,

including markets for factors of production (capital, labor, land) and the long-term lease of public assets to capable managers. The formulation stresses the concrete circumstances peculiar to China and condemns attacks on reform measures as reflecting utopianism, idealism, the desire to blindly apply foreign (read Soviet) models to China, and the overall failure to comprehend the realities of China's situation and trend of development.

The theory of the initial stage of socialism is not a detailed blueprint; it provides an overall orientation and definition of the situation and is deliberately open-ended. Such vagueness is in part good politics, as it permits those with different interests and visions of the ultimate goal to cooperate on a common program. But its larger significance may lie, as observed by the Hong Kong China News Analysis, in the CCP's collective acknowledgment that the economic policies of the past--both Soviet-style central planning and Maoist mass mobilization and great leaps--have failed and that a new direction is needed. The theory justifies pluralism, a mixed economy, and continued economic experimentation and makes improved economic output rather than adherence to ideological canons the main measure of a policy's success.

b. Managerial Responsibility Systems

Zhao Ziyang and the media repeated the call for complete adoption of managerial responsibility systems, which are intended to promote good management, reward initiative, and increase production. Under such systems, factory managers are given greater authority over personnel, production, and plans, and in return sign contracts promising to meet targets of profitability. If successful, they keep a share of the profits; if unsuccessful, they are dismissed. As of July 1987, 51 percent of all major state enterprises had adopted managerial responsibility systems. The State Economic Commission called for all state enterprises to begin using the system by the end of 1987 and to complete its implementation by the end of 1988. Contracting the management of state factories to individual managers is, like granting peasants long-term leases on state land, an example of the separation of ownership from management, a theme that has emerged as a major element in reform rhetoric. The repeated calls for comprehensive adoption of managerial responsibility systems ignored such problems as the shortage of qualified managers, the difficulty of assessing managerial performance in an environment where fixed, irrational prices obscure the relation between productivity and profitability, and the ill-defined and potentially contentious relations between managers and enterprise CCP branches and party secretaries.

c. Expanded Markets

Zhao Ziyang's report to the 13th CCP Congress called for further development of the "socialist commodity economy" and a greater role for markets for all factors of production. Competitive bidding on major construction projects became more common and more markets for steel were to be opened. Capital markets continued to expand in various cities, and enterprises, including such major components of state heavy industry as the Wuhan Steel Works, expanded the issuing of bonds and of some varieties of stocks. The first steps toward the development of a formal, legal real estate

market were taken with highly publicized land auctions in Shenzhen and Shanghai. And, for the first time a state-owned factory purchased another, ill-managed, state factory. In a potentially significant move, the head of the CCP Rural Policy Research Center told reporters that the party was considering allowing peasants to buy and sell leases on farmland. Both farmland and urban land still are owned by the state in a formal and legal sense, but it is possible to foresee the development of effective markets for land of all types. The market for labor, in contrast, remained very limited. The only exception was the numerically small and largely unskilled segment of the workforce employed by private entrepreneurs in what appears to be a very loosely regulated labor market.

d. Further Deferral of Price Reform

As in 1986 and early 1987, price reform continued to be postponed. Although the theoretical arguments for price reform are compelling and other reforms such as managerial responsibility systems or expanded markets presume price reform, the political difficulties of carrying out price reform are daunting. The benefits of price reform are diffuse and common but penalties are obvious and felt by a powerful few (such as local authorities operating inefficient factories) who can complain and mobilize political influence to neutralize the disciplinary effects of price reform. In addition, price reform in China has apparently come, in the minds of the urban populace and some leaders, to be associated with rising prices rather than rising living standards. Reformist leaders have therefore been very cautious in implementing price reform.

Throughout 1987 China suffered from high rates of inflation, with estimates varying from the low official 7.2 percent to higher outside calculations of about 17 percent. The authorities responded with strong efforts to enforce price controls, particularly on foodstuffs, which consume more than half the urban workers' incomes. In many cases, rising prices were blamed on the greed of the politically vulnerable private market traders. Economists explained inflation as the result of the government's failure to control the growth of the money supply and to properly ration credit with meaningful interest rates and sanctions for default on loans. The dual price system (fixed state prices coexisting with variable free market prices) offered countless opportunities for quick profits by well-connected enterprises that could buy materials such as steel at low state prices and resell them at higher free market prices.

Reformist leaders may have attempted to promote price reform in an indirect manner by permitting Guangdong Province wide latitude to implement price reform along with other economic reforms. The intent, it would appear, is to use Guangdong's evident prosperity and high rates of economic growth as an example of the benefits of reform and as a model for practices to be extended to other provinces in a few years. In the fall of 1987, shortages of pork and other non-staple foods led to the reimposition of rationing in Beijing and in many other major cities. Some press commentary pointed out that Guangzhou, which relied on free markets and market-determined prices, suffered no shortages and that prices, which reflected the balance of supply and demand, were not very much higher than those for the rationed and

inadequate supplies in Beijing. Further favorable publicity for the achievements of Guangdong could indicate an effort to promote general reform, including price reform, using political tactics similar to those that pushed through the agricultural reforms of the early 1980s, in which the successes of a few "experimental" areas were used to build a constituency for widespread adoption of the desired practices.

e. Employment and Wage Systems

The Minister of Labor called for further transformation and improvement of the lifetime employment system in state enterprises and said that wage reform would result in wages that reflected position and responsibilities rather than rank and seniority. In a major change, the State Economic Commission announced that during 1988 all large and medium-sized state enterprises would institute a piecework wage system, "to stimulate the initiative of the workers." The goal is clearly to overcome the poor work performance and lack of motivation associated with the "iron rice bowl" of guaranteed lifetime employment. However, the change will present enterprise management with major administrative challenges, particularly because many industries and jobs do not permit simple calculation of any single worker's output.

Further changes in the employment structure were indicated by the July 1988 report that employment in government offices was frozen and that all new college graduates were to serve two years in grass-roots organizations (undefined) to "reinforce the frontline of production." The growing private sector employed four percent of the workforce and regulations limiting the number of employees a private entrepreneur could hire were widely ignored.

f. Further Reforms

The resolution of the political struggle within the CCP in favor of Zhao Ziyang and those supporting broad economic reforms guaranteed the introduction of further reforms. As a result, public discussion and debate over the course of reform and the desirability of particular reforms will be expanded. The large role of local leadership in promoting specific reforms, the normal differences of opinion over the best policies or the timing of new measures, and the caution of national leaders who are responsible for managing a growing economy with many immediate and politically threatening problems such as inflation or foreign trade deficits make it likely that China's economic reforms will continue to be uneven, uncoordinated, and to move incrementally. Such a process will be untidy and somewhat confused, but probably more politically feasible than comprehensive reforms, such as thorough price reform, which both theory and expert advisors would dictate.

4. POLITICAL REFORM

The outline for political reform, a project which had had unpromising prospects after the January 1987 ouster of CCP General Secretary Hu Yaobang, but which was revived by the highly publicized personal initiative of Deng Xiaoping, became clearer after the 13th CCP Congress. The 13th CCP Congress, which confirmed Zhao Ziyang as CCP General Secretary and endorsed Zhao's

program of wide reforms of the economy and political structure, marked the growing consensus within the party that reform was, as Deng Xiaoping had often said, "the only way to go." The party leadership proclaimed political reform to be essential, but, following Deng's program, considered it a process that was to concentrate on improving the operation of the existing party and state apparatus and to proceed at a measured pace under close CCP control. The goals of political reform, as set out by Deng Xiaoping, were greater separation of party and state, creation of a proper civil service system marked by professionalism and accountability, and a degree of devolution of decisionmaking and of "democracy."

a. The Politics of Reform

Throughout the summer of 1987, China's press made it clear that reform, including political reform, had the strong support of Deng Xiaoping, whose "scientific and profound thought" provided the guidance for political reform. Zhao Ziyang, who combines impressive political skills with the public backing of Deng Xiaoping, continued his calls for further reform and his condemnation of the "ossified thinking" of unnamed "certain comrades" who failed to comprehend the essential distinction between socialism and capitalism. Zhao, who had been described as more of an administrator than a theoretician, showed no hesitation at expounding ideology and condemning misapprehensions of Marxism in a manner appropriate to the head of the world's largest Communist Party.

Zhao identified himself with the theory of the initial stage of socialism, a cleverly crafted formulation which was Marxist enough to be acceptable to most party members and flexible enough to justify almost any reform initiative. The theory, which stressed the primary need to develop the forces of production and hence the economy, put attaining full socialism (however that was to be understood) off to the indefinite future and argued that under China's concrete circumstances a mixed economy under CCP direction rather than detailed control was the best way to promote economic growth. The theory had the political advantage of appealing both to orthodox (but not Maoist) party members, who could interpret it as an expedient detour on the road to full socialism, and to liberal minded leaders and theorists who could interpret it as an ideological smokescreen covering the party's repudiation of hardline Marxist-Leninist and Stalinist positions. The theory provided reformists with the theoretical and ideological justification for their program which they had previously lacked, a prerequisite for success in China's political system.

The hardline, conservative/leftist opponents of reform, whose campaign against bourgeois liberalization was little mentioned during this period, continued their criticism of the corruption allegedly resulting from extension of markets and private trading and devoted much effort to enforcing ideological conformity through controlling the press and attempting to close down overly liberal periodicals. They managed to remove several exemplary intellectuals, including Su Shaozhi, the originator of the theory of the initial stage of socialism, from their positions or from the party itself. However, the 13th CCP Congress demonstrated their increasingly marginal position within the party as a whole.

In what was one of the most significant, if obscure, events of the Congress, several hardline opponents of reform were not selected as delegates to the Congress and Deng Lihou, the leading proponent of the campaign against bourgeois liberalization, was humiliated by the delegates' refusal to elect him to the Central Committee. The process by which delegates to the CCP Congress were selected is not entirely clear, but some role was played by elections in which the party's rank-and-file members had a voice. The procedure by which Party Congress delegates voted for members of the Central Committee from lists with more candidates than seats was unprecedented and suggests a major shift in party procedures and politics. According to Hong Kong reports, the failure to elect Deng Lihou to the Central Committee was unexpected and upset arrangements the party leadership had worked out at their August preparatory conference at the seaside resort of Beidaihe.

b. Outlining Political Reform

In his address to the 13th CCP Congress, Zhao Ziyang, echoing Deng Xiaoping, identified the major defects in China's political structure as overconcentration of power, bureaucratism, and lingering feudal influences. To remedy these problems, Zhao proposed greater separation of party and government, delegation of more power to lower administrative levels, reform of the cadre system, establishment of a system of consultation and dialogue, and improved mechanisms of democracy such as the people's congresses, trade unions and other mass organizations, the electoral system, and "the operation of democracy in grass-roots units."

Stressing the need to proceed with caution and judge reforms by their results, Zhao outlined a policymaking, coordinating, and supervisory role for the CCP. He suggested that party departments that overlap government departments should be abolished, and that all party secretaries in government bodies should also hold government posts. Further, he proposed that the CCP discipline inspection commission should not deal with breaches of the law or of administrative regulations. Zhao envisaged a civil service system, with all government personnel divided into managerial and professional ranks. Managers, who would have decisionmaking powers, would serve for limited terms, be appointed to and removed from office through formal, legal procedures (including recommendation by the CCP), and be subject to supervision by the public. Professional personnel would have indefinite tenure and clear standards for evaluation and promotion and would be selected from those passing a competitive civil service examination.

c. Promoting Consultation and Democracy

The one element in the reform program that does not directly reflect the technocratic stress on efficiency and orderly operation of bureaucratic institutions is the call for more dialogue, consultation, and grassroots democracy. The meaning of these terms and of the associated term "supervision" is far from clear, but they include a number of related themes. "Democracy" sometimes refers to improved communications between leaders, administrators, and the public, so that citizens better understand the rationale behind government policies and, conversely, officials appreciate popular concerns and worries. "Supervision" is associated with the notion of

accountability and is usually applied to officials. It may refer to the use of public opinion and the formal approval of subordinates to check the arbitrary power of officials who hold their posts with lifetime tenure and few institutional restraints. Such officials, who often have great power in their locality or institution, often have been unresponsive to high-level calls for the implementation of policies such as the economic reform program. Much publicity has focused on examples of officials' being made subject to the formal assessment of their performance by their staff and subordinates. In the longer view, consultation, assessment, and popular supervision represent much more controlled and restrained analogues to the Cultural Revolution efforts to force entrenched bureaucrats to "serve the people" and to respond to policies decreed by party leaders.

The most potentially significant element in the cluster of democratic reforms is electoral competition. Giving voters a choice from a slate of candidates larger than the number of vacancies to be filled or permitting them to nominate candidates are reforms that have already been implemented, both at the lowest-level people's congresses at the township and county levels and the CCP National Party Congress. The motive and source of support for such a significant procedural reform is not clear, although some elements within the CCP may have calculated that the practice would help them and hurt their opponents. Given the strong negative reaction against the unauthorized student demonstrations for democracy in late 1986, the ouster of CCP General Secretary Hu Yaobang for being too lax and weak in cracking down, and the subsequent campaign against bourgeois liberalization, the resilience of the push for democracy and the evident attraction of the concept of democracy (which has been used both by reformers and by their opponents in the NPC) is remarkable.

A step toward low-level democracy was taken in November 1987 when the Standing Committee of the NPC finally approved the long-delayed Village Committee Law. The village committees, of which China already has some 940,000, are to manage village assets and serve as organs of village self-management. They are to be directly elected by all adult villagers and will be formally distinct from the state administrative system, which stops at the level of the administrative township, which may contain ten or more natural villages.

#### d. Repressing and Reforming the Press

The struggle between reformers and their conservative opponents continued to be waged in journalism and the arts. The conservatives based in the CCP propaganda organs and the newly established (March 1987) government Office for Press and Publications attempted to enforce ideological conformity by closing down some newspapers and journals, thereby intimidating the editors and writers of those permitted to publish. They also tried to remove a number of liberal intellectuals, including advisors to Zhao Ziyang, from their posts and to expel them from the CCP. Reformers managed to block most but not all of the dismissals, and, late in the year, countered by suggesting that Hongqi, the voice of orthodoxy and hardline leftism since the days of the Cultural Revolution, be closed down. By December, conferences of editors and writers were calling for a new press law and for press reform, by which they meant



better reporting (including investigative reporting), a range of discussion on important topics, more interesting writing, and less boring propaganda.

e. Political Reform Continues

The proposed reforms are motivated by a concern for efficiency, good management, and optimal use of scarce resources, and seek to promote initiative and accountability at the lower levels without threatening the CCP's dominant position. Political reform is intended to be a carefully controlled process with an essentially technocratic spirit. The calls for dialogue, consultation, greater electoral choice, and more grassroots reform, however, make the reform sufficiently open-ended to permit significant modification of China's political system, over time, in the direction of greater pluralism and pragmatism.

5. PROSPECTS FOR REFORM

By the end of 1987, the prospects for further reform, particularly in the economy and the political system, seemed much better than they had at the beginning of the year. The long-term significance of the 13th CCP Congress was the apparent decline of the hardline conservative-leftist group as a significant force within the party. A growing consensus had developed within the CCP that held that past policies for economic growth had not succeeded and that new approaches were necessary. The great weakness of the conservative-leftist group within the CCP was its failure to present a positive program to address China's economic problems and so to pose a realistic alternative to the policies of Deng Xiaoping, Zhao Ziyang, and their associates. Most of the CCP's 46 million members are administrators and managers, primarily concerned with enhancing the income or influence of their units, and not very attracted by a program heavy on slogans and ideological conformity but of little help in running a steel mill or raising the incomes of farmers.

The combination of apparent victory (not total but probably sufficient) by the CCP's top-level reformers and the pressure for change generated by low-level, local, economic innovations and responses to immediate problems guarantees that reform, in some form, will continue. Differences of opinion as to the proper pace and content of reforms remain, and there is no shortage of influential voices urging caution and moderation. But, future struggles over the course of reform are likely to represent clashes of interest groups and constituencies that can be resolved through compromise rather than reflecting deep seated opposition to reforms on absolute, ideological grounds.

## CHRONOLOGY

# MILITARY REFORM

RECORD: 570

Objectives	MILITARY
Subobjectives	Industry
Indicators	During the first half of 1987, the China North Industries Corporation (NORINCO) exported \$13 million worth of civilian products, an increase of 235 percent over the same 1986 period. Yang Wenrou, Vice President of NORINCO, says that since China's government began encouraging military enterprises to produce civilian goods, the industry has developed over 2,000 varieties of products, some of which meet international standards. NORINCO has exported chemical products, optical instruments, and medical equipment to 32 countries, including the United States, the Federal Republic of Germany, and Japan.
Sources	"Military Firm Exports US\$13m Worth of Civilian Goods," <u>Ta Kung Pao Weekly Supplement</u> (Hong Kong), 9 July 1987, p.3.
Item Date	87/07/09

RECORD: 571

Objectives	MILITARY
Subobjectives	Policy
Indicators	An article in <u>Jiefangjun Bao</u> (Beijing) criticizes PLA members who believe that the strategic change in army policy toward modernization during the current "relatively stable international environment" means that national defense and the army are less important. The article points out that even if a world war is not likely, regional conflicts have never ceased, and the world remains a fiercely competitive one in which military strength is a significant element of national standing. If the army is not ready for war and cannot move or fight, it will have no more deterrent effect than "a rusty machine or a sick tiger." All members of the PLA must strive to modernize the armed forces into a more effective fighting force.
Sources	Zou Yuqi, "Grasp the Core of Army Work in the New Period," <u>Jiefangjun Bao</u> (Beijing), 10 July 1987, in JPRS-CAR-87-041, 1 September 1987, pp.94-99.
Item Date	87/07/10

RECORD: 578

Objectives	MILITARY
Subobjectives	Militia

## MILITARY REFORM

### Continued

Indicators In Anhui province, manpower in the militia has been reduced and quality improved. Grassroots cadres were reduced by 40 percent. Of those remaining, 91 percent are either demobilized servicemen or have had training, 72 percent are CCP members, 86 percent have the equivalent of a junior middle school education, and 26 percent are professional technicians.

Sources Jiefang Ribao (Shanghai), 14 July 1987, in JPRS-CAR-87-046, 10 September 1987, p.98.

Item Date 87/07/14

RECORD: 572

Objectives MILITARY  
Subobjectives Policy  
Indicators An article in Jiefangjun Bao (Beijing) counters the mistaken idea that in a period when the threat of a major war is low, modernizing the armed forces is no longer very important. On the contrary, the present relatively peaceful and stable international situation is the result, at least in part, of deterrence created by strong military forces. China has a major responsibility for safeguarding world peace and opposing hegemonism, and military power is a major element giving China weight to stabilize the world situation. The more modernized and combat effective China's armed forces are, the more they contribute to the security of the state.

Sources Zeng Guangjun, "The New National Defense Concept and the Army's Historical Responsibility in the New Period," Jiefangjun Bao (Beijing), 17 July 1987, in JPRS-CAR-87-041, 1 September 1987, pp.89-93.

Item Date 87/07/17

RECORD: 573

Objectives MILITARY  
Subobjectives Policy  
Indicators The Zhoushan archipelago, off the coast of Zhejiang, was for many years a tightly closed military base, but now is open to the outside world. In the spring of 1987 it became an open port, and Zhoushan City held a celebration in April for the arrival of the first foreign ship.

## MILITARY REFORM

### Continued

Sources Zou Jielan, "Military Islands Open Their Shores," China Daily (Beijing), 21 July 1987, p.1.  
Item Date 87/07/21

### RECORD: 574

Objectives MILITARY  
Subobjectives Budget  
Indicators The PLA saved 200 million yuan (\$54 million) during the first half of 1987 by increasing production and practicing economy. The Shenyang Military Region alone saved 560,000 yuan (\$151,000) by cancelling orders for videotape recorders, air conditioners, and other expensive commodities. All units cut their administrative spending, and many increased their income by getting more deeply involved in industrial and agricultural production.  
Sources "Army Cuts Spending by 200m Yuan," China Daily (Beijing), 21 July 1987, p.1.  
Item Date 87/07/21

### RECORD: 575

Objectives MILITARY  
Subobjectives Militia  
Indicators After readjustment and reform, militia formations will be fewer but of higher quality. Militia training is now consolidated at more than 1,500 militia training bases.  
Sources Zhongguo Xinwen She (Hong Kong), 22 July 1987, in FBIS/China, 24 July 1987, pp.K6-7.  
Item Date 87/07/22

### RECORD: 576

Objectives MILITARY  
Subobjectives Industry  
Indicators The National Defense Science, Technology, and Industry Commission (NDSTIC) announces that since weapons development and procurement was changed to a contract system (in February 1987) a new trend of competition has developed. Nearly 1,000 military and civilian enterprises have joined the competition for development and production of new weapons, and signing over 150 agreements. The changes have contributed to shortening development and production time, concentrating on important projects, and using funds more effectively.

## MILITARY REFORM

### Continued

Sources "Weapons Development Benefiting From Competition," Xinhua (Beijing), 23 July 1987, in JPRS-CAR-87-051, 8 October 1987, pp.45-46.  
Item Date 87/07/23

RECORD: 579

Objectives MILITARY  
Subobjectives Policy  
Indicators Minister of National Defense Zhang Aiping says that China's shift of policy from war readiness to peacetime modernization does not signify an easing up on building national defense and modernizing the armed forces. The current peace and stability in the world is fragile, a "peace permeated with the smell of gunpowder." For China, aside from the aggression by Vietnamese regional hegemonism, elements of insecurity exist in other frontier areas. It is imperative not to think that "eternal peace prevails," and that it is time to "set aside the guns and swords and release the heroes." While a strong modern economy is the necessary foundation for a strong national defense, it is still imperative to allot suitable amounts of financial and human resources to further modernize national defense.

Sources Qin Weidong, "Zhang Aiping Talks on Army Modernization in the Course of Reform," Liaowang (Beijing), 27 July 1987, in FBIS/China, 10 August 1987, pp.K8-11.  
Item Date 87/07/27

RECORD: 577

Objectives MILITARY  
Subobjectives Militia  
Indicators China's first naval militia reserve training center is established at Beigang, Hebei. North Sea Fleet Deputy Chief of Staff Wang Shouren presents the base with a landing craft and an escort vessel. The training center has torpedo, audiovisual, navigation, signals, and radar classrooms. Twenty-eight demobilized servicemen have already been trained.

Sources Hebei Ribao (Shijiazhuang), 28 July 1987, in JPRS-CAR-87-046, 10 September 1987, p.97.  
Item Date 87/07/28

RECORD: 580

Objectives MILITARY  
Subobjectives Training

## MILITARY REFORM

### Continued

**Indicators** The PLA will begin sending young officers to study at foreign military academies this year. An official of the Foreign Affairs Department of the Ministry of National Defense, summing up the PLA's contacts with foreign armies, says that in the past eight years the PLA has sent abroad over 200 delegations, consisting of some 3,000 personnel. The PLA has now established contacts with the armed forces of 85 countries, and has opened military attache offices in more than 60 countries. The PLA has drawn on foreign armies' advanced experiences and techniques in its modernization.

**Sources** "PLA Sending Officers Abroad," China Daily (Beijing), 29 July 1987, p.1.

**Item Date** 87/07/29

RECORD: 581

**Objectives** MILITARY

**Subobjectives** Policy

**Indicators** Speaking at a rally marking the 60th anniversary of the PLA, Yang Shangkun, Vice Chairman of the Central Military Commission, says that the paramount tasks facing the PLA are to speed up its modernization, continue to support the country's policy of reform, and to maintain vigilance in peacetime. The need to modernize the PLA is prompted by the gap between the objective requirements of fighting modern wars and the comparatively low level of modernization of the PLA. PLA modernization will keep pace with economic construction. In 60 years, China's economic development will reach the level of the advanced countries, and, likewise, the modernization of the armed forces will reach the world's top ranks. Although the PLA should support economic reforms and contribute to building socialism with Chinese characteristics, national defense and the armed forces should be strengthened rather than weakened, for only by keeping a powerful army to match China's international standing can the country deter invaders and handle any eventualities.

**Sources** Chen Guangfeng, "Modern PLA Must Be a Top-Class Fighting Unit," China Daily (Beijing), 1 August 1987, p.1.

**Item Date** 87/08/01

## MILITARY REFORM

RECORD: 590

Objectives	MILITARY
Subobjectives	Training
Indicators	In peacetime, when the values of soldiers may easily become confused, the task of political education in the army is to instill in the troops the ideal of "rendering glorious service to the army." Both cadres and soldiers should have a sense of the urgency of modernization. The armies of many countries are modernizing, and those who can grasp the opportunity granted by the current period of international peace will have the upper hand in any future conflict. The primary task of political work in the PLA is to "unify the thinking of the whole army on these points and to rally the hearts of all commanders and soldiers around the banner of modernization."
Sources	Song Qingwei, "The Minds of The Troops Should Concentrate on Modernization," <u>Jiefangjun Bao</u> (Beijing), 21 August 1987, in FBIS/China, 4 September 1987, p.5.
Item Date	87/08/21

RECORD: 582

Objectives	MILITARY
Subobjectives	Policy
Indicators	Minister of National Defense Zhang Aiping outlines the policy to be followed in the peacetime national defense buildup. The main task is to strengthen the armed forces through restructuring and adoption of new technology. It also is necessary to strengthen national defense science, technology, and industry. Military academic study must be developed and talented people trained to become members of the brain trust of the Military Commission. In peacetime it is necessary to establish a mobilization system, and to carry out peacetime construction while thinking of the needs of war.
Sources	<u>Jiefangjun Bao</u> (Beijing), 25 August 1987, in FBIS/China, 17 September 1987, pp.12-16.
Item Date	87/08/25

RECORD: 593

Objectives	MILITARY
Subobjectives	Industry
Indicators	The Central Military Commission and the State Council approve regulations on management of military research and development programs. Research and development



## MILITARY REFORM

### Continued

funds are divided into three categories and appropriated to military end-users of equipment, to military research institutes, and to defense industries for basic technological upgrading. The regulations aim at improving cooperation between research institutes, military industries and the end-users of equipment, and at judging the work of factories and research institutes by their results. A second set of regulations guides public bidding for defense contracts, which are now open to any "legal person."

#### Sources

Robert Karniol, "China's Bid to Improve R&D Management," Jane's Defense Weekly (London), 19 September 1987, p.597.

#### Item Date

87/09/17

### RECORD: 594

#### Objectives

MILITARY

#### Subobjectives

Militia

#### Indicators

The Nanjing Military Region is experimenting with new structures for reserve and militia organization. As the structure of the PLA develops toward greater coordination among different arms and services, the reserve structure of the militia must change accordingly. The Nanjing Military Region is moving toward forming militia specialized units with relatively well educated and technically proficient members drawn from many enterprises and townships. They are replacing the "small but complete" militia units representing a single village, township or enterprise.

#### Sources

Jiefangjun Bao (Beijing), 19 September 1987, in FBIS/China, 30 September 1987, pp.42-43.

#### Item Date

87/09/19

### RECORD: 596

#### Objectives

MILITARY

#### Subobjectives

Reorganization

#### Indicators

By the middle of September 1987 over 2 million young people in Sichuan had applied to join the PLA, giving recruiters an average of 30 applicants for each place. The percentage of middle school graduates is higher than the army requires. Measures such as a publicity campaign on the importance of national defense and financial support and preferential treatment to servicemen's families taken since

## MILITARY REFORM

### Continued

the authorities had difficulty recruiting soldiers in 1984 have succeeded.

#### Sources

"Youths Eager To Join the PLA," China Daily (Beijing), 24 September 1987, p.3.

#### Item Date

87/09/24

### RECORD: 595

#### Objectives

MILITARY

#### Subobjectives

Training

#### Indicators

The PLA, with a program to upgrade the education of officers, plans that by 1990 all officers will have at least a senior middle school education. (At the end of 1986, 85 percent of officers had a senior middle school education.) The army expects that by 1990 there will be 20 percent more college graduates among the officer ranks.

#### Sources

Xinhua (Beijing), 25 September 1987, in FBIS/China, 25 September 1987, p.23.

#### Item Date

87/09/25

### RECORD: 599

#### Objectives

MILITARY

#### Subobjectives

Policy

#### Indicators

The military newspaper Jiefangjun Bao (Beijing) condemns unidentified units that have "violated economic discipline," and misunderstood CCP policy on economic reforms. Some comrades think that reform and invigoration means making a bit more money, and that as long as it is for the collective and no money goes into one's own pocket, everything is permissible. Leaders who put the interests of their small unit and its petty profits before the law and the party's principles are threatened with "downfall."

#### Sources

"A Phenomenon We Should Guard Against," Jiefangjun Bao (Beijing), 8 October 1987, in FBIS/China, 2 November 1987, pp.50-51.

#### Item Date

87/10/08

### RECORD: 597

#### Objectives

MILITARY

#### Subobjectives

Demobilization

#### Indicators

The Ministry of Civil Affairs announces that China has resettled 1 million servicemen demobilized in the troop reductions of the past two years. About 30 percent of the 400,000 demobilized servicemen were from urban areas, and they have been assigned jobs in state enterprises. Those who had received

## MILITARY REFORM

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merit citations were allowed to choose jobs. Over half those from rural areas had been trained in skills with civilian applications and many of them found jobs in township enterprises or started their own businesses. The Ministry of Civil Affairs resettles officers who retire from active service, and the Ministry of Labor and Personnel assigns jobs to some former officers.

Sources Dong Lisheng, "Million Ex-soldiers Are Now Resettled," China Daily (Beijing), 20 October 1987, p.1.

Item Date 87/10/20

### RECORD: 592

Objectives  
Subobjectives  
Indicators

MILITARY  
Reorganization  
Qin Jiwei, Commander of the Beijing Military Region, cites as a major army reform the replacement of the old "double three" system, in which three regiments form a division and three divisions constitute an army, with the system of army corps. The leading body of each military region is now composed of five or six men instead of the 10 to 20 before reform. The PLA has been equipped with some advanced weaponry, but military equipment cannot be acquired in undue haste lest it affect general economic development. Deng Xiaoping has made clear that defense modernization will be realized only after the national economy is further developed.

Sources Xinhua (Beijing) 30 October 1987, in FBIS/China, 30 October 1987, pp.52-53.

Item Date 87/10/30

### RECORD: 600

Objectives  
Subobjectives  
Indicators

MILITARY  
Policy  
Military delegates to the 13th CCP Congress discuss "national defense with Chinese characteristics." They agree that the modernization of the PLA cannot follow US and Soviet patterns, if only because China is poor. The true meaning of modernization and standardization with Chinese characteristics is an important matter for further research.  
Sources "Building Modern National Defense With Chinese Characteristics," Jiefangjun Bao (Beijing), 1 November 1987, in FBIS/China, 9 November 1987, pp.29-30.

# MILITARY REFORM

## Continued

Item Date 87/11/01

RECORD: 598

Objectives MILITARY  
 Subobjectives Training  
 Indicators The first group of PLA Air Force pilots to be awarded bachelor of science degrees in military science graduates from Air Force colleges. After four years' education they can fly several different aircraft and have had advanced training in meteorology.  
 Sources Xinhua (Beijing), 24 November 1987, in FBIS/China, 30 November 1987, p.27.  
 Item Date 87/11/24

RECORD: 601

Objectives MILITARY  
 Subobjectives Reorganization  
 Indicators Good progress has been made in integrating military transportation and communications systems with the management and planning of state transportation. Railway, navigation, and harbor departments have educated their staff in national defense concepts and accelerated the standardization of military transportation systems and procedures.  
 Sources Xinhua (Beijing), 8 December 1987, in FBIS/China, 9 December 1987, p.18.  
 Item Date 87/12/08

RECORD: 602

Objectives MILITARY  
 Subobjectives Reorganization  
 Indicators Efforts are being made to draw up PLA personnel regulations. In 1988 some regulations on such matters as military ranks will be submitted to the NPC. The Central Military Commission is studying proposals for further reform of the PLA and many PLA members are discussing separation of the party and the government within the PLA. The appointment of Zhao Ziyang as first deputy chairman of the Central Military Commission shows that the principle of the party commanding the gun has not changed.  
 Sources Chin Po, "The Rise of the Soldiers of the Second Generation," Kuang Chiao Ching (Hong Kong), 16 December 1987, in FBIS/China, 7 January 1988, pp.15-18.  
 Item Date 87/12/16

## MILITARY REFORM

RECORD: 603

Objectives MILITARY  
Subobjectives Industry  
Indicators A contract for the design and manufacture of guided missile escort ships is awarded to an unidentified contractor. This is the first time that competitive bidding has been employed in the production of large military equipment.

Sources Xinhua (Beijing), 23 December 1987, in FBIS/China, 31 December 1987, p.14.

Item Date 87/12/23

RECORD: 605

Objectives MILITARY  
Subobjectives Reorganization  
Indicators The new heads of the PLA's major departments have not been made members of the CCP Military Commission, fueling speculation that party and state functions at the top command level will be separated. The State Military Commission which has existed as a shadow of its party counterpart may be expanded and take full responsibility for professional military affairs.

Sources Far Eastern Economic Review (Hong Kong), 24 December 1987, p.7.

Item Date 87/12/24

RECORD: 604

Objectives MILITARY  
Subobjectives Demobilization  
Indicators The Ministry of Civil Affairs announces that the State Council has passed a regulation governing the resettlement of demobilized soldiers. A spokesman explains that for the past 29 years the Ministry of Civil Affairs has used temporary provisions for resettling servicemen. The new regulation stipulates that in principle soldiers should return to their home towns after leaving the army. Because 80 percent of soldiers come from the countryside, it is impossible to permit all of them to settle in cities and towns with their families. Demobilized soldiers who had no job before joining the army should be relocated by the state. In 1985-87, the state resettled 750,000 former soldiers and 41,000 retired cadres.

Sources "Regulation To Serve Ex-Soldiers," China Daily (Beijing), 25 December 1987, p.3.

Item Date 87/12/25

## ECONOMIC REFORM

### RECORD: 454

Objectives	ECONOMIC
Subobjectives	Problems
Indicators	Gao Shangquan, Vice Chairman of the State Council's Structural Reform Commission, identifies four major problems in economic reform. The first is making enterprises responsible for their profits and losses while retaining public ownership. The second is price reform and the development of markets. Previously it was thought that as soon as prices became somewhat rational the market would immediately take shape. In reality, the growth of the market is a long, complicated process and price reform is restricted by the ability of the people and society to withstand the attendant strains. The third problem is reforming the investment and planning structures. The fourth problem is transforming the functions of the government and determining the proper means for the government to exercise its broad supervisory functions.
Sources	"State Structural Reform Commission Vice Chairman Discusses Reforms," <u>Ming Bao</u> (Hong Kong), 1 July 1987, in FBIS/China, 6 July 1987, p.K9.
Item Date	87/07/01

### RECORD: 455

Objectives	ECONOMIC
Subobjectives	Employment
Indicators	In a change of policy, most of the nearly 400,000 college graduates and postgraduates of the current graduating class will not be assigned to positions in state organs. They will be sent to work for two years in "grass roots" organizations "to reinforce the frontline of production." The staff levels in state organs are frozen and newly-established departments can only take on those personnel released by other departments in the course of streamlining.
Sources	<u>Wen Wei Po</u> (Hong Kong), 1 July 1987, in FBIS/China, 1 July 1987, p.K5.
Item Date	87/07/01

### RECORD: 456

Objectives	ECONOMIC
Subobjectives	Management
Indicators	Guan Guangmei, a woman who has leased eight bankrupt or failing grocery stores in Benxi,

## ECONOMIC REFORM

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Liaoning and transformed them into profitable operations, has become the object of national publicity and debate. As the leaseholder, she has profited from her efforts to increase the profits of the shops and is now probably the wealthiest person in Benxi, a city of 1.4 million. National newspapers such as Jingji Ribao (Beijing) have debated whether her methods are socialist or capitalist and exploitative. Guan and her reformist supporters argue that good management is perfectly compatible with socialism. She is herself a party member, has won the prestigious "May 1 Labor Award" usually granted to model factory workers, and has been selected as a delegate to the 13th CCP Congress, to be held in Beijing in October.

Sources

Edward Gargan, "The Good Woman of Benxi, a Success," New York Times, 7 July 1987, p.D1.

Item Date

87/07/07

RECORD: 457

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Management  
Two of four factories in Shenyang, warned of impending bankruptcy in mid-1986, have recovered under new management. The Shenyang Metal Products Casting Plant and the No.3 Farm Machinery Factory have improved business and now have assets that exceed their debts.

Sources

"Factories Avoid Bankruptcy," China Daily (Beijing), 10 July 1987, p.3.

Item Date

87/07/10

RECORD: 458

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Problems  
The Equipment Management Association of the State Economic Commission suggests methods of solving the problem of idle machines, which are so numerous in China's factories that their value is five percent of factories' total fixed assets. The existing economic system encourages the purchase of machines regardless of their cost or potential contribution to production and makes it very difficult to dispose of unneeded equipment. Suggestions for solving the problem include lifting taxes on organs acting as middlemen in the transfer of machines, imposing taxes on fixed assets to encourage enterprises to

## ECONOMIC REFORM

### Continued

purchase only those machines they urgently need, and establishing more markets for second-hand equipment.

#### Sources

Chen Guanfeng, "Steps Urged To Stop Machinery Standing Idle," China Daily (Beijing), 11 July 1987, p.1.

#### Item Date

87/07/11

### RECORD: 459

#### Objectives Subobjectives Indicators

ECONOMIC  
Policy

The State Council approves a pilot study by the Ministry of Civil Affairs on establishing a social security system in rural areas. Initially the township will be the basic unit of the security network, which will offer aid to the elderly, those unable to work, and the families of military servicemen and revolutionary martyrs. Later, the network will be set up on a county, provincial, or national basis. "When conditions are ripe," legislation will be introduced to set up a national social security system.

#### Sources

"State Wants Rural Social Aid Scheme," China Daily (Beijing), 14 July 1987, p.5.

#### Item Date

87/07/14

### RECORD: 460

#### Objectives Subobjectives Indicators

ECONOMIC  
Agriculture

According to the Ministry of Agriculture, 88 percent of the tractors in China are owned by individual farmers, as are two-thirds of the nations's fixed assets of farm machinery. The government offers technical training, maintenance service, and supplies of fuel and oil to individual owners of farm machinery.

#### Sources

China Daily (Beijing), 14 July 1987, p.5.

#### Item Date

87/07/14

### RECORD: 461

#### Objectives Subobjectives Indicators

ECONOMIC  
Management

China's top policy makers have made invigoration of the 8,000 major industrial enterprises a paramount task of the economic reform. The major state enterprises lag behind advanced international standards of productivity, quality, and management. They also find it difficult to compete with domestic rural and small-scale urban



## ECONOMIC REFORM

### Continued

enterprises, which are more flexible and better able to adapt to the growth of markets for raw materials. The key to revitalizing major state enterprises is reform of their management.

Sources "Industry Faces New Challenges," China Daily (Beijing), 14 July 1987, p.5.  
Item Date 87/07/14

### RECORD: 462

Objectives ECONOMIC  
Subobjectives Management  
Indicators Jiangsu's Changzhou Chemical Research Institute is described as a model of reform of the science and technology system. In 1985, the Institute was denied state subsidies and forced to become financially independent by selling its services to productive enterprises. By transferring technology to factories and providing testing and other technical services, the Institute has increased its operating capital. Each of its 200 employees is given a 500-yuan annual bonus. More than 70 percent of the Institute's research findings are used directly in production.

Sources "Research Linked to Production," China Daily (Beijing), 15 July 1987, p.3.  
Item Date 87/07/15

### RECORD: 463

Objectives ECONOMIC  
Subobjectives Policy  
Indicators An unprecedented evaluation of China's eight-year old economic reforms is under way at the request of Zhao Ziyang. Economic specialists from the State Commission for Economic Restructuring and from central and provincial government departments and academic institutions have examined such fundamental issues as the pace of reform, the effectiveness of reforms already introduced, and the justification for reforms in Marxist terms. Economists who are neither die-hard conservatives nor blanket opponents of reform are pointing out difficulties in the current system of dual prices and coexisting market and administrative allocation of goods. As reform progresses and the economy develops, it is becoming necessary to decide what is meant

## ECONOMIC REFORM

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Sources by the ill-defined goal of a "planned socialist commodity economy."  
Louise do Rosario, "Course Correction: China Undertakes a Major Rethink of Its Economic Reforms," Far Eastern Economic Review (Hong Kong), 16 July 1987, pp.69-71.  
Item Date 87/07/16

### RECORD: 464

Objectives ECONOMIC  
Subobjectives Agriculture  
Indicators Chinese authorities have set the tenure of agricultural land leases at 50 years and will permit lessees to pass the land on to their children.  
Sources "China's Farmers Get Longer Leases," Far Eastern Economic Review (Hong Kong), 16 July 1987, p.8.  
Item Date 87/07/16

### RECORD: 465

Objectives ECONOMIC  
Subobjectives Management  
Indicators Lu Dong, Minister in charge of the State Economic Commission, announces that some 4,000 major industrial enterprises, 51 percent of the total, have adopted the managerial responsibility system. The system, which separates ownership from managerial authority, has resulted in high rates of growth of output, profits, and tax revenues.  
Sources "Factories Adopt New Work System," Beijing Review, 27 July 1987, p.5.  
Item Date 87/07/27

### RECORD: 466

Objectives ECONOMIC  
Subobjectives Markets  
Indicators For the first time, authorities in Beijing have permitted a state-owned enterprise to purchase another state-owned enterprise. The Beijing Gear Factory has bought the mismanaged Chaoyang Metal Handicraft Factory for 5.05 million yuan. The Gear Factory paid the Chaoyang District Government, which ran the handicraft factory, 1.2 million yuan, and will pay the remainder in installments over the next 8 years. The Gear Factory has hired all the employees of the handicraft factory and will use the premises of the handicraft factory for expansion of its successful

## ECONOMIC REFORM

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operations, which had been limited by lack of space. Beijing Ribao hails the deal as a daring step in urban economic reform.

Sources Chen Pingjun, "State-Owned Unit Bought By Another," China Daily, (Beijing), 8 August 1987, p.3.

Item Date 87/08/08

### RECORD: 467

Objectives ECONOMIC  
Subobjectives Management  
Indicators The State Statistical Bureau reports that 75 percent of China's large and medium-sized state enterprises are using the contract responsibility system of management.

Sources China Daily (Beijing), 10 August 1987, p.1.

Item Date 87/08/10

### RECORD: 468

Objectives ECONOMIC  
Subobjectives Markets  
Indicators The Ministry of Metallurgical Industry announces that more free markets for steel will be opened to promote the sale of stockpiled steel. Although free markets for steel have been opened in Shanghai, Shenyang, Shijiazhuang and some other cities, only 10 percent of the total steel output is sold through these markets. At the end of June 1987, 30 million tons of steel, representing more than half the country's annual output, were stockpiled. The state has allowed enterprises which bought steel at the state price to sell it at the market prices, which are about 80 percent higher. Some work units have bought as much steel as possible at state prices, hoarding it in case of shortages.

Sources "Markets To Curb Steel Stockpiling," China Daily (Beijing), 12 August 1987, p.1.

Item Date 87/08/12

### RECORD: 469

Objectives ECONOMIC  
Subobjectives Management  
Indicators A factory manager dismissed on grounds of incompetence is suing his superiors for breach of contract. Li Deshu, now famous in Chongqing as "The Hundred-Day Factory Director," was elected director of the Chongqing Instrument and Meter Factory by its workers and signed a four-year contract. One hundred days later he

## ECONOMIC REFORM

### Continued

was dismissed by unidentified "higher authorities," in a manner which Xinhua called "typical of past practices in which higher authorities simply dismissed managers." The case has not yet gone to court.

#### Sources

"Sacked Factory Manager Sues His Superiors," China Daily (Beijing), 18 August 1987, p.3.

#### Item Date

87/08/18

RECORD: 470

#### Objectives Subobjectives Indicators

#### ECONOMIC

##### Prices

Yuan Mu, a spokesman for the State Council, holds a press conference to discuss commodity prices. He acknowledges sharp increases in commodity prices in the first 6 months of 1987 and attributes them to the excessive demand for grain due to higher living standards, to bad weather, and to the failure to exercise effective supervision of prices and markets. While reaffirming the long-term need to reform the price system, he emphasizes short-term efforts to stabilize prices and to punish speculation and profiteering. The State Council has decided that in the second half of 1987 retail prices of consumer goods controlled by the government will, in principle, remain unchanged. While decontrol of prices is a long-term goal of reform, the government cannot ignore "immense" price fluctuations or "drastic" increases in commodity prices. Price control and supervision of markets will be strengthened. Both decontrol and control of prices are means to be used to develop productivity.

#### Sources

Xinhua (Beijing), 22 August 1987, in FBIS/China, 25 August 1987, pp.8-13.

#### Item Date

87/08/22

RECORD: 471

#### Objectives Subobjectives Indicators

#### ECONOMIC

##### Management

Many state factories in Shanghai, even the most prosperous, are resisting adopting the contract responsibility system because the contracts oblige the enterprise to pay at least as much tax as in the previous year. The manager of a successful cosmetics factory which is earning foreign exchange through exports explains that even though his factory is making a profit, rising costs of raw

## ECONOMIC REFORM

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materials mean that profits for 1987 will not be as high as 1986, and he cannot guarantee to pay the same amount in tax. Profit margins for exporters are smaller than for enterprises selling only to the domestic market and most factories that export are unable to adopt the contract system. Those factories that do sign contracts negotiate with municipal authorities over the amount of tax they will pay, as well as over the amount of bank loans they will repay, so that although the contract system is supposed to produce greater economic consistency and rationality, in practice it produces inconsistency and a multitude of specially negotiated tax and interest rates. James R. Schiffman, "Shanghai Firms Reject Contract System," Asian Wall Street Journal (Hong Kong), 25 August 1987, p.1.

Sources

Item Date

87/08/25

RECORD: 472

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Management  
The State Economic Commission, the Organizational Department of the CCP Central Committee, and the All-China Federation of Trade Unions hold a joint meeting in Beijing calling on all large and medium-sized enterprises to institute the manager responsibility system by the end of 1987. Implementation of the system in all industrial enterprises should be complete by the end of 1988. The meeting was held with the approval of the CCP Central Committee and the State Council.

Sources

Beijing Domestic Broadcast, 25 August 1987, in FBIS/China, 26 August 1987, pp. 18-19.

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RECORD: 473

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Problems  
Huguan County, Shanxi Province has 394 privately-owned trucks, but 301 of them cannot be used, and only 28 can be driven for more than 3 months in a year. There are too many trucks for the volume of freight to be shipped. While the number of trucks has increased by 173 percent since 1982, the supply of gasoline allocated by the state is unchanged. Taxes and fees impose a heavy

## ECONOMIC REFORM

### Continued

burden on truck owners. A truck which could, if there were no oversupply of trucks and if fuel were available, earn 30,000 to 50,000 yuan a year must pay 9,000 yuan in taxes and fees and the driver must carry 14 licenses from various government departments and units.

Sources "Owners of Trucks Encounter Problems," China Daily (Beijing), 27 August 1987, p.4.

Item Date 87/08/27

### RECORD: 474

Objectives ECONOMIC  
Subobjectives Prices  
Indicators

To strengthen price control the State Council issues a circular requiring local governments, tax collection, and police departments to check individuals doing business and ban any operating without a license. All traders must display their license and sell goods with prices marked. All departments, enterprises, and individual business people must strictly observe state-fixed commodity prices, transportation fees, and other charges.

Sources "Council Orders Stronger Control of Markets, Prices," China Daily (Beijing), 28 August 1987, p.4.

Item Date 87/08/28

### RECORD: 475

Objectives ECONOMIC  
Subobjectives Employment  
Indicators

Zhao Dongwan, Minister of Labor and Personnel, says that further employment reforms should focus on transforming and improving the lifetime employment system in state enterprises. Wage reform, with wages reflecting position and responsibility rather than rank and seniority, should be implemented in state enterprises.

Sources "Steps Still Needed on Jobs and Wages," China Daily (Beijing), 9 September 1987, p.1.

Item Date 87/09/09

### RECORD: 476

Objectives ECONOMIC  
Subobjectives Management  
Indicators

The assets management responsibility system is being implemented as a pilot project in more than 20 provinces and municipalities. Under this system, the performance of managers

## ECONOMIC REFORM

### Continued

is assessed by how well they have managed the assets provided by the state. Such a system avoids some of the major shortcomings of other forms of managerial responsibility, such as the tendency to maximize short-term profits and to retain the old leadership system.

Sources "Assets Proposal Offered As Solution," China Daily (Beijing), 10 September 1987, p.4.  
Item Date 87/09/10

### RECORD: 477

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Prominent economist Ma Hong reports that Premier Zhao Ziyang recently issued written instructions on industrial policy indicating that China cannot rely only on the market and free competition to achieve economic growth. Guidance and supervision by the state also is needed in industrial policy and management reform. Zhao calls for use of a variety of economic means and regulatory methods, including tax rates, credit, and pricing. In this way, development can be combined with reform, planning with the market, and macroeconomics with microeconomics.

Sources Shijie Jingji Daobao (World Economic Herald) (Shanghai), 14 September 1987, in FBIS/China, 29 September 1987, pp.20-21.  
Item Date 87/09/14

### RECORD: 478

Objectives ECONOMIC  
Subobjectives Prices  
Indicators Guangzhou has pioneered price reform in China. Although some people have complained about price increases since reforms began in 1981, most people have benefitted. Guangzhou now has three kinds of prices -fixed, floating, and free. The proportion of items with prices fixed by the government decreased from 98 percent in 1978 to 20 percent in 1987. Thirty percent of prices float within limits set by the city's Price Bureau. Fifty percent of prices are free market prices, although the municipal government does intervene in markets to keep some prices, such as those of vegetables, low.

Sources "Price Reform Makes Its impact Felt," Beijing Review, 14 September 1987, pp.14-15.  
Item Date 87/09/14

## ECONOMIC REFORM

RECORD: 479

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Prices

The State Council issues regulations on price control intended to maintain the basic stability of market prices and ensure the progress of economic reform. The state institutes three kinds of prices: state-fixed prices; state-guided prices; and market regulated prices. The regulations determine the rights and responsibilities of enterprises along with local governments and their price departments.

Sources  
Xinhua (Beijing), 19 September 1987, in  
FBIS/China, 22 September 1987, pp.11-15.

Item Date  
87/09/19

RECORD: 481

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Prices

A Renmin Ribao (Beijing) commentary on the recently promulgated State Council regulations on price control describes the regulations as an important step toward bringing price control within the legal system. Previously there was a lack of laws and regulations to guide localities in their supervision of prices, control was lax and inconsistent, and some localities and enterprises raised prices regardless of the effect on society and the economy as a whole. The new regulations draw a clear line between legal and illegal practices, distinguishing normal variation in commodity prices due to seasonal, regional or quality variations, from indiscriminate, speculative and unjustified price hikes.

Sources  
"Bring Price Control in Line With Law,"  
Renmin Ribao (Beijing), 20 September 1987, in  
FBIS/China, 25 September 1987, p.23.

Item Date  
87/09/20

RECORD: 482

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Markets

The increased practice of competitive tendering for major projects and the opening of bids on these projects to Chinese as well as foreign enterprises has driven costs down. International bidding on contracts for harbor facilities, railroads, and power stations has reduced expenditure of foreign exchange and stimulated Chinese enterprises to raise their



## ECONOMIC REFORM

### Continued

product quality and attitude toward service. Chinese enterprises that win contracts earn foreign exchange.

Sources Zhang Yu'an, "Tendering System Lowers Costs," China Daily, Business Weekly (Beijing), 21 September 1987, p.1.  
Item Date 87/09/21

### RECORD: 483

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Hainan Island, soon to become a separate province, will become China's largest special economic zone. It will adopt more flexible economic policies than other special economic zones to attract foreign investment.  
Sources Beijing Review, 12 October 1987, p.9.  
Item Date 87/09/23

### RECORD: 484

Objectives ECONOMIC  
Subobjectives Management  
Indicators The Ministry of Railways will institute the contract system in all its operations--transport, capital construction, and technical upgrading. The Guangzhou Railway Administration will experiment with ways of implementing the system throughout its operations. Since April 1986 the state has ceased to allocate funds to the Ministry of Railways, which uses its own profits to fund investments, and so requires the gains in efficiency and staff initiative generated by the responsibility system.  
Sources "Contract System Tested In All Railway Operations," China Daily (Beijing), 23 September 1987, p.3.  
Item Date 87/09/23

### RECORD: 485

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Shenyang is the second city in China (after Yantai) to reform its housing system, encouraging people to pay realistic rents or to buy their own homes. The prevailing system of very low rents provides no funds for improving existing housing or building new ones. Under the former system, 359,000 of Shenyang's 900,000 families were living in very crowded conditions and 18,000 families

## ECONOMIC REFORM

### Continued

were without proper houses. The reforms, which include higher rents and options to purchase apartments, began in two of Shenyang's largest enterprises. Rents go to housing management agencies, which invest 53 percent in new housing, spend 35 percent on maintenance, and pay 12 percent in tax.

Sources "Shenyang Reforming Its Housing," China Daily (Beijing), 23 September 1987, p.3.  
Item Date 87/09/23

RECORD: 480

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Policy

The State Council believes it is imperative to reform the planning and supply systems. The proposed reform of the supply system is intended to reduce the scope of mandatory planning and increase guidance planning and the regulatory role of the market. In 1988, supply and marketing organs at the central and local level will be incorporated into supply departments. The experiences of Shijiazhuang, which has opened markets for the major means of production, will be fully publicized and several cities will be selected as test localities for overall reform of the supply system.

Sources Xinhua (Beijing), 25 September 1987, in  
FBIS/China, 28 September 1987, pp.17-18.  
Item Date 87/09/25

RECORD: 486

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Policy

Li Tieying, Minister of the State Commission for Restructuring the Economy, tells the joint planning and economic reform conference, meeting in Beijing in September 1987, that, beginning in 1988, China will develop a comprehensive socialist market system. The conflicts between state planning and regulation by markets will be eased by establishing a new system in which the state supervises markets and markets guide enterprises. The State Council has decided that the focus of reform in 1988 will be on enterprise management, investment systems, the supply of raw materials, and the foreign trade system.

## ECONOMIC REFORM

### Continued

Sources "Socialist Market System Called For," China Daily (Beijing), 25 September 1987, p.1.  
Item Date 87/09/25

### RECORD: 487

Objectives ECONOMIC  
Subobjectives Prices  
Indicators Economists at the State Council's Development Research Center have suggested using a "policy pricing structure," a proposal which has received a lot of attention from authoritative persons in Beijing. The proposal calls for the use of shadow prices, also called "accounting prices" or "efficiency prices" to guide investment and imposition of taxes until the present irrational price system can be reformed. The proposal calls for rectifying the present price system within 10 years, implying that the shadow prices will eventually become the standard prices.

Sources "The Establishment of a 'Policy Pricing Structure' Should Be Regarded As the Core of Economic Reform," Shijie Jingji Daobao (World Economic Herald) (Shanghai), 5 October 1987, in FBIS/China, 23 October 1987, pp.32-34.

Item Date 87/10/05

### RECORD: 488

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Several plastics factories in Liaoning have gone bankrupt due to shortages of raw materials. Two plants making beancurd products in Zunyi, Guizhou have closed and two others are close to bankruptcy because of the rising cost of soybeans.

Sources China Daily (Beijing), 6 October 1987, p.2.

Item Date 87/10/06

### RECORD: 490

Objectives ECONOMIC  
Subobjectives Markets  
Indicators Tianjin will expand its capital market and promote interbank borrowing and bond trading to ease the shortage of capital. Competition between specialized banks will be encouraged and new businesses dealing with commercial bills, mortgages, foreign exchange, and consulting will be developed.

## ECONOMIC REFORM

### Continued

Sources Xie Songxin, "Tianjin To Expand Capital Market, Stimulate Business," China Daily (Beijing), 7 October 1987, p.2.  
Item Date 87/10/07

### RECORD: 489

Objectives ECONOMIC  
Subobjectives Employment  
Indicators China's private sector now employs 4 percent of the workforce and has become indispensable by filling gaps left by state planning. Its future growth, however, poses problems for policymakers. New regulations, published in August 1987, limit the number of employees private businesses can hire to two or three, but in fact establishments with up to ten employees are common, and a few private enterprises have over 100 employees. Income disparities have become substantial, and some proprietors of restaurants and craft enterprises take home as much as ten times the salaries of their employees. Most workers in private businesses receive low wages and few benefits, which are granted entirely at the owner's discretion. Taxes on private businesses are based on officials' estimates of sales, a practice with much potential for extortion, corruption, and tax evasion. Many private proprietors respond to the insecurity of operating without a legal framework or legal safeguards for private business by giving gifts and bribes to officials and trying to maximize immediate gains.

Sources Ellen Salem, "Peddling the Private Road," Far Eastern Economic Review (Hong Kong), 8 October 1987, p.106.  
Item Date 87/10/08

### RECORD: 491

Objectives ECONOMIC  
Subobjectives Problems  
Indicators The pursuit of economic reforms has brought inflation, corruption, and widening income gaps, and there is national concern that these things are getting out of hand. The growth of the underground private economy has threatened further economic reforms, and Beijing is going slowly with new reforms, partly for fear of sparking more inflation and profiteering and partly to avoid providing political ammunition to conservatives in the leadership. The

## ECONOMIC REFORM

### Continued

immediate response has been a crackdown on profiteering and tax evasion, with private businesspeople bearing the brunt of the campaign.

#### Sources

James R. Schiffman, "Abuses Threaten China's Reform Plans," Asian Wall Street Journal (Hong Kong), 12 October 1987, p.1.

#### Item Date

87/10/12

RECORD: 495

#### Objectives Subobjectives Indicators

#### ECONOMIC Policy

In his address to the 13th CCP Congress, "Advance Along the Road of Socialism With Chinese Characteristics," acting General Secretary Zhao Ziyang calls for further economic reform. Expounding the theory that China is in the initial stage of socialism, in which productive forces are poorly developed and living standards low, he makes economic growth the primary task and argues that a mixture of economic forms (plan, market, state ownership, collective, and private ownership) is appropriate and will last for many decades. Such measures as markets for means of production, for funds, and for labor, as well as the issue of stocks and bonds, are declared ideologically neutral, technical means that are not exclusively characteristic of capitalism. The essential difference between socialism and capitalism is that of ownership, and as long as public ownership predominates, the economy remains socialist. Zhao calls for a greater role for markets, under a formulation in which "the state regulates markets and markets guide enterprises."

#### Sources

Beijing Domestic Broadcast, 25 October 1987; in FBIS/China, 87-206S, 26 October 1987, pp.10-23.

#### Item Date

87/10/25

RECORD: 492

#### Objectives Subobjectives Indicators

#### ECONOMIC Management

The State Economic Commission plans to conduct an extensive management training program for more than 70,000 leading cadres in 8,000 large and medium-sized enterprises. The State Education Commission will expand management education by opening more management colleges and classes. Up to now,

## ECONOMIC REFORM

### Continued

training for administrative personnel has consisted largely of general education in middle school and college courses, but the new programs will train leading cadres in modern management science, economic laws and regulations, and international business.

#### Sources

Nie Lisheng, "Managers To Get Special Training," China Daily (Beijing), 27 October 1987, p.3.

#### Item Date

87/10/27

### RECORD: 493

#### Objectives

ECONOMIC

#### Subobjectives

Agriculture

#### Indicators

Du Runsheng, Director of the CCP's Rural Policy Research Center, tells a news conference that the party is considering allowing peasants to buy and sell the rights to use farm plots contracted from the state. If the new policy is approved, farmers who have invested in their fields will be able to sell the use rights to the land. They can already pass the land on to their children.

#### Sources

Edward Gargan, "China Considering Letting Farmers Sell Land Rights," New York Times, 27 October 1987, p.1.

#### Item Date

87/10/27

### RECORD: 494

#### Objectives

ECONOMIC

#### Subobjectives

Policy

#### Indicators

Guan Guangmei, the controversial shop manager from Liaoning who was attacked in the press for using capitalist methods, is attending the 13th CCP Congress as a delegate from her home city of Benxi. She has leased 8 state or collectively-owned shops and made them all profitable, only to become the focus of a national debate on the socialist nature of her operations. Guan, who only joined the party in 1983, told Xinhua: "That I'm here to attend the party congress indicates that my endeavor is acknowledged by the party members who elected me and my business is backed by the party Central Committee." She strongly denies allegations that her activities are capitalist, pointing out that she is only the manager of the enterprises which are owned by the public.

#### Sources

Xinhua (Beijing), 28 October 1987, in FBIS/China, 30 October 1987, p.23.

## ECONOMIC REFORM

Continued

Item Date 87/10/28

RECORD: 496

Objectives ECONOMIC  
Subobjectives Policy  
Indicators An article in the overseas edition of Liaowang (Hong Kong) discusses the economic policies advocated in Zhao Ziyang's address to the 13th CCP Congress, emphasizing the Chinese characteristics of the program. The article blames previous economic problems on attempts to mechanically transplant and copy foreign, Soviet practices. Developing the commodity economy and giving a greater role to allocation by market mechanisms are not capitalist practices; rather, they are means appropriate to the concrete circumstances of China. The argument implies that those who oppose such practices may be accused of insufficient nationalist spirit and of preferring foreign models to native practice.

Sources Li Shuyi, "Epoch-Making Changes in the Economic Thought of the CPC," Liaowang (Hong Kong), 2 November 1987, in FBIS/China, 13 November 1987, pp.30-34.

Item Date 87/11/02

RECORD: 497

Objectives ECONOMIC  
Subobjectives Prices  
Indicators Yang Peixin, a research fellow at the State Council's Economic Research Center, states that economic reform has made a key shift from focussing on price reform to improving the contract system. He says price reform can only be carried out step-by-step, as part of the economic restructuring process. Only when the balance of supply and demand is achieved will it be possible to abolish administrative control over supplies and allow prices to float freely. Reality shows that the contract system is the key to developing enterprises and production.

Sources Xinhua (Beijing), 6 November 1987, in FBIS/China, 6 November 1987, p.19.

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RECORD: 498

Objectives ECONOMIC  
Subobjectives Policy

## ECONOMIC REFORM

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Indicators The trial implementation of the bankruptcy law has been extended to 28 enterprises in six cities. Two of the enterprises have been declared bankrupt, while 22 others have improved their performance or even become profitable after being warned of the possibility of bankruptcy. There are now four enterprises on the warning list.

Sources "Bankruptcy Law's Trial Extended," China Daily (Beijing), 7 November 1987, p.1.

Item Date 87/11/07

### RECORD: 499

Objectives ECONOMIC  
Subobjectives Markets  
Indicators Urban economic reform has spurred a real estate boom in China's cities, with active trading in the sale and lease of public and private properties. Technically, the sales and leases apply only to structures, as the land is owned by the state. In practice, possession of a structure carries the right to use the land, and in many cases 70 to 80 percent of the price depends on the location. Feng Jun, of the Ministry of Urban and Rural Construction, calls for new policies governing urban real estate transactions. As the state owns the land in cities, there is no land tax, and some private individuals and collective and state enterprises are making great profits from real estate transactions. Without a state policy clearly separating ownership rights from use rights, the urban real estate market remains unregulated and untaxed.

Sources Yin Jiafei, "Urban Real Estate Sales Skyrocket; New Rules Weighed," China Daily (Beijing), 7 November 1987, p.1.

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### RECORD: 500

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Gao Shangquan, Vice Minister of the State Commission for Restructuring the Economy, tells a Beijing conference that, following the 13th CCP Congress, the government will pursue further economic reforms in the next few years. They will center around restructuring state enterprises, expanding domestic markets, instituting state regulation of the economy



## ECONOMIC REFORM

### Continued

through indirect means such as tax rates, and improving the management of foreign trade.

Sources Sun Yougeng, "State Sets Goals For Deepening Reforms," China Daily (Beijing), 10 November 1987, p.1.

Item Date 87/11/10

### RECORD: 501

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The 13th Party Congress has prepared the way for sustained economic modernization by providing the reforms with a sound ideological foundation and by beginning to remove the CCP from direct control over the economy. The significance of Zhao Ziyang's address to the Congress lies in its provision of general outlines and its ideological legitimization of further reforms. The inclusion of some controversial topics such as the issue of stocks and bonds, and the exclusion of others, such as bankruptcy, provides clues for future policies. The major guidelines are provided by the commitment to reduce the planned sector of the economy and to develop markets for funds, labor, technology and real estate, and by the elaboration of the principle of the separability of ownership and management.

Sources Louise do Rosario, "Peking's Primary Goal," Far Eastern Economic Review (Hong Kong), 12 November 1987, pp.66-67.

Item Date 87/11/12

### RECORD: 502

Objectives ECONOMIC  
Subobjectives Policy  
Indicators The CCP Central Committee has designated Guangdong Province as an experimental area for overall reform. Guangdong will advance beyond other areas in developing a planned commodity economy and expanding the scope of market regulation. The province will serve as a "scout" in exploring the socialist road with Chinese characteristics. Guangdong also is intensifying research on separating the functions of the CCP from those of the government.

Sources "Guangdong To Be Scout for Reform," China Daily (Beijing), 23 November 1987, p.1.

Item Date 87/11/23

## ECONOMIC REFORM

### RECORD: 503

Objectives ECONOMIC  
Subobjectives Markets  
Indicators Experiments in markets for land use-rights have begun in Shanghai, Tianjin, Shenzhen, and Hainan. Ownership of land will be separated from use rights. The state will retain ownership, but utilization will depend on payment (to the state), and utilization rights may be sold at a profit.

Sources China Daily, Business Weekly (Beijing), 23 November 1987, p.1.

Item Date 87/11/23

### RECORD: 504

Objectives ECONOMIC  
Subobjectives Markets  
Indicators The Wuhan Iron and Steel Complex, one of China's largest metallurgical complexes, is no longer operating at a profit and is issuing bonds to raise capital for technical upgrading. Bondholders will be assured supplies of steel and will receive 7.48 percent annual interest.

Sources China Daily (Beijing), 23 November 1987, p.2.

Item Date 87/11/23

### RECORD: 505

Objectives ECONOMIC  
Subobjectives Problems  
Indicators A survey report submitted to the State Council by a group of economists identifies various noneconomic factors as serious impediments to reform. Major problems for enterprises include too many supervisory authorities with ill-defined powers, a poorly-understood and sometimes contentious relation between factory managers and CCP party secretaries, and complicated networks of personal relations and "feudalistic" ties. The report concludes that without reforming the political and administrative structures, it will be impossible to carry out economic reform.

Sources "New Thought On China's Reforms: Taking Stock of Noneconomic Factors," Liaowang Overseas Edition (Hong Kong), 30 November 1987, in FBIS/China, 7 December 1987, pp.33-35.

Item Date 87/11/30

## ECONOMIC REFORM

RECORD: 506

Objectives	ECONOMIC
Subobjectives	Policy
Indicators	Zhao Ziyang's report to the 13th CCP Congress, although admittedly a compromise, represents both the conclusion of a debate on economic policy and a forecast of new things to come. The tendencies that were pitted against each other from the 1950s--the Stalinist, hierarchical mode of planning and the Maoist, voluntaristic mass movements--have proved inadequate. All factions of the CCP now agree on the need to abandon the previous methods of organizing the economy, and the former, mistaken, evaluation of China's capacity for moving quickly through stages of economic development. This is one of the meanings of the theory of the initial stage of socialism, which represents much more than a retrospective justification of existing economic reforms.
Sources	<u>China News Analysis</u> (Hong Kong), 1 December 1987, pp.6-8.
Item Date	87/12/01

RECORD: 507

Objectives	ECONOMIC
Subobjectives	Management
Indicators	A national enterprise reform seminar attended by 150 managers concludes that the confusion caused by the unclear division of duties between the government and the enterprises has consumed too much of managers' energy. In a survey of Nanjing enterprises, managers were found to be devoting only 18 percent of their time to directing production. The rest was spent attending meetings, greeting leaders, and attending to such services as workers' food and housing.
Sources	Xinhua (Beijing), 2 December 1987, in FBIS/China, 3 December 1987, p.21.
Item Date	87/12/02

RECORD: 508

Objectives	ECONOMIC
Subobjectives	Markets
Indicators	In China's first public land auction since 1949 a plot of land in Shenzhen is sold for 5.25 million yuan (US\$1.41 million). The land will be held on a 50-year lease. The winner among the 43 bidders is a local real estate company which plans to erect high-rise

## ECONOMIC REFORM

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apartments on the site. Shenzhen sold two previous plots of land, in September and in November, through closed bidding. Shenzhen has been selected by China's central government to pioneer reforms of the urban land management system.

Sources "Shenzhen Land Auction Raises 5 Million Yuan," Ta Kung Pao (Hong Kong), 3 December 1987, in FBIS/China, 4 December 1987, p.21.  
Item Date 87/12/03

### RECORD: 509

Objectives ECONOMIC  
Subobjectives Employment  
Indicators Twenty-six factories in Dalian are experimenting with piecework wages, resulting in greater productivity and heightened worker initiative. The piecework system was employed in all Chinese factories during the period of the First 5-Year Plan (1953-1957), but was later denounced as capitalistic and replaced by "everyone eating out of the common pot" wage systems, which led to declines in per capita productivity.  
Sources Xinhua (Beijing), 5 December 1987, in FBIS/China, 7 December 1987, p.36.  
Item Date 87/12/05

### RECORD: 510

Objectives ECONOMIC  
Subobjectives Management  
Indicators The Ministry of Light Industry rules that money-losing small state enterprises, as well as those that are collectively owned, can be sold at auction to individuals or collective undertakings. The sales must be approved by the enterprise workers' congress or management committee.  
Sources Xinhua (Beijing), 6 December 1987, in FBIS/China, 8 December 1987, p.24.  
Item Date 87/12/06

### RECORD: 511

Objectives ECONOMIC  
Subobjectives Employment  
Indicators In 1988 all large and medium-sized enterprises will institute a piecework wage system affecting workers at over 12,000 enterprises. Piecework wages will be linked to working efficiency and product quality, stimulating the initiative of the workers.

## ECONOMIC REFORM

### Continued

Sources Xinhua (Beijing), 10 December 1987, in  
FBIS/China, 11 December 1987, p.25.  
Item Date 87/12/10

### RECORD: 513

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Liaowang (Beijing) reports that many  
economists and owners of private enterprises  
have urged the government to quickly formulate  
a private enterprise law to ensure the healthy  
and steady development of the private sector.  
At present, tax evasion is common, and many  
private businesses employ far more than the  
seven employees they are permitted. There are  
too few officials to oversee private  
operations, with only one official for every  
1,700 businesses and one tax official for  
every 400 enterprises.

Sources "Private Business Thrives Despite  
Controversies," Xinhua (Beijing), 15 December  
1987, in FBIS/China, 17 December 1987,  
p.25-26.  
Item Date 87/12/15

### RECORD: 512

Objectives ECONOMIC  
Subobjectives Problems  
Indicators Efforts to improve operation of the banking  
system and implement the contract  
responsibility system have run into  
difficulties because of government controls on  
banks and the prices they charge for their  
services. As a consequence of the fixed limits  
on interest rates, banks actually lose money  
on each loan. Banks pay depositors an interest  
rate of 7.20 percent and incur an additional  
cost of 1.53 percent in taxes and service  
fees, making the total cost of capital 8.73  
percent. Banks, however, can charge no more  
than 7.16 percent interest on loans. Because  
the inflation rate in recent years has been  
higher than the 7.20 percent earned on  
deposits, banks find it difficult to attract  
deposits. In addition, there is no legal way  
for banks to collect on defaulted loans and  
losses must simply be absorbed by the bank.  
Banks, therefore, have been unable to  
implement the contract responsibility system  
and function as independent enterprises  
responsible for their own profits and losses.

## ECONOMIC REFORM

### Continued

Sources "China: Banks Encounter Difficulties in Implementing Contract System," FBIS Foreign Press Note (Washington), 16 December 1987.  
Item Date 87/12/16

### RECORD: 514

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Meeting with students of the economic reform research class at the Central Party School, Zhao Ziyang says that in 1988 the emphasis in economic reform will be on improving and developing enterprises' operating mechanisms. Noting that some people worry that if enterprises are allowed to make their own decisions they will engage in more short-term projects, Zhao argues that the short-term perspective stems from the lack of real operating rights. He asserts that enterprises with greater decisionmaking authority will work harder to protect public assets and pay more attention to long-term interests.  
Sources Xinhua (Beijing), 18 December 1987, in FBIS/China, 21 December 1987, pp.20-21.  
Item Date 87/12/21

### RECORD: 515

Objectives ECONOMIC  
Subobjectives Markets  
Indicators Shanghai will become the second city in China, after Shenzhen, to auction land with 50-year leases. The State Council approved the lease of a plot in Shanghai's Hongqiao Economic Development Zone. According to a spokesman of the Shanghai Municipal Government, land leasing is a bold reform of the country's land policy and an important step toward formation of an urban real estate market.  
Sources Hu Sigang, "Second City To Lease Land Rights Next Year," China Daily (Beijing), 23 December 1987, p.1.  
Item Date 87/12/23

### RECORD: 516

Objectives ECONOMIC  
Subobjectives Policy  
Indicators Meeting with a group of farming entrepreneurs, Zhao Ziyang assures them that individual and private enterprises are legal and can certainly play a role in developing

## ECONOMIC REFORM

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China's socialist commodity economy. Private enterprises may be larger than household enterprises because as the economy develops some households are bound to expand their businesses and limiting their size would not help to develop the forces of production. The predominance of public ownership should be understood as applying to the country as a whole and to areas that are important to the national economy. In specific localities and sectors of the economy, the proportions of different types of ownership should be allowed to vary.

Sources "Individual and Private Enterprises Encouraged," Beijing Review, 28 December 1987, p.36.

Item Date 87/12/28

RECORD: 517

Objectives  
Subobjectives  
Indicators

ECONOMIC  
Employment  
Yuan Baohua, Deputy Director of the State Economic Commission, responds to newspaper stories about misuse and underutilization of the talents of the 38 returned holders of US MBAs by saying they will be allowed to switch jobs. The units will first be allowed to arrange more suitable employment, and mutual understanding between the graduates and their leaders should be encouraged. However, no units should create obstacles to movement of those graduates of the joint China-US management program at Dalian. Yuan suggests that the State Economic Commission, the State Education Commission, and the State Science and Technology Commission jointly ask the graduates' work units to investigate their living and working conditions.

Sources Wen Jia, "Officials Promise MBAs Better Jobs," China Daily (Beijing), 30 December 1987, p.3.

Item Date 87/12/30

POLITICAL REFORM

RECORD: 520

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	An editorial in <u>Guangming Ribao</u> (Beijing) calls for studying Deng Xiaoping's 1980 speech "On the Reform of the System of Party and State Leadership." The editorial argues that political reform must be put on the party and state agenda and that Deng's speech is a programmatic document guiding political structural reform.
Sources	"A Powerful Ideological Weapon for Guiding the Reform of the Political Structure," <u>Guangming Ribao</u> (Beijing), 1 July 1987, in FBIS/China, 8 July 1987, pp.K2-4.
Item Date	87/07/01

RECORD: 519

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Major Chinese newspapers republish a 1980 speech by Deng Xiaoping denouncing bureaucracy and "feudalistic" thought within the CCP. Xinhua summarizes Deng's ideas on political reform as including separation of party and state functions, transfer of power to lower levels, and reform of the cadre system. Bo Yibo, regarded as more conservative than Deng Xiaoping, is quoted extensively in support of Deng's views.
Sources	Edward A. Gargan, "Papers Play Up Deng's Ideas, Signalling Changes for China," <u>New York Times</u> , 2 July 1987, p.A12.
Item Date	87/07/02

RECORD: 521

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	The Overseas Edition of <u>Liaowang</u> (Hong Kong) extolls the "thought" of Deng Xiaoping as a guide to the reform of the political structure. Deng's expositions of the need for political reform and of its main objectives are described as "scientific and profound." They provide the basic guidelines for carrying out political reform in a planned and step-by-step manner, under the leadership of the CCP, without mass movements. Political reform must be based on China's national conditions, with critical study of the successful experience of other countries.



## POLITICAL REFORM

### Continued

Sources Chi Fulin, "Deng Xiaoping's Guiding Thought on China's Political Structural Reform," Liaowang (Overseas Edition), (Hong Kong), 6 July 1987, in FBIS/China, 8 July 1987, pp.K10-18.

Item Date 87/07/06

### RECORD: 522

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators Xinhua publishes the complete text of Zhao Ziyang's 13 May 1987 speech at a meeting of propaganda, press, theoretical, and Party School cadres in which he argues that opposing bourgeois liberalization is a long-term effort, best done through positive education. He calls for further publicity for economic reform, and denounces "some people" who, mistakenly, argue that promoting reform is incompatible with upholding the four cardinal principles. Positive education in combatting bourgeois liberalization and the promotion of economic reform should be equally stressed.

Sources Xinhua (Beijing), 8 July 1987, in FBIS/China, 10 July 1987, pp.K1-8.

Item Date 87/07/08

### RECORD: 523

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators Zhao Ziyang's 13 May "Speech At A Meeting of Propaganda, Theoretical, Press, and Party School Cadres" is published in pamphlet form by the People's Publishing House. It will be distributed throughout the country by Xinhua bookstores.

Sources Xinhua (Beijing), 13 July 1987, in FBIS/China, 14 July 1987, p.K1.

Item Date 87/07/13

### RECORD: 524

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Commentary in Renmin Ribao (Beijing) describes the 1 July republication of Deng Xiaoping's 1980 speech "On the Reform of the System of Party and State Leadership" as "an important preparation" for the 13th CCP Congress, to be held in October 1987.

Sources "Deng Speaks for Political Reform," Beijing Review, 13 July 1987, pp.6-7.

## POLITICAL REFORM

Continued

Item Date 87/07/13

RECORD: 525

Objectives GOVERNMENT

Subobjectives Policy

Indicators

As the ideological battles of early 1987 appear to be over, it is now difficult to find even perfunctory references to the dangers of bourgeois liberalization. The turning point in the struggle between reformers and conservatives began on 26 May when Zhao Ziyang gave a major speech warning that "mental ossification and one-sided stress on the four cardinal principles" threaten China's reforms. Three days later, Deng Xiaoping began telling visiting foreign leaders that leftism is the major threat to modernization. Zhao Ziyang has demonstrated impressive political skills, and the reformers are now in a far stronger position than seemed likely only a few months previously. The strategy of the reformers, intentional or not, was to give the conservatives enough room and media space to frighten almost everybody. Several Hong Kong journals have published unverified accounts of a meeting in which Deng Xiaoping sharply criticized Deng Liqun for his handling of the anti-bourgeois liberalization drive.

Sources Robert Delfs, "A Summer Peace," Far Eastern Economic Review (Hong Kong), 16 July 1987, pp.10-12.

Item Date 87/07/16

RECORD: 526

Objectives GOVERNMENT

Subobjectives Ideology

Indicators

Academics are publishing an increasing number of proposals for political reform before the 13th CCP Congress in October. Political scientists and other scholars are trying to get across to the public their ideas about the initial stage of socialism, recognition of the diverse interests of different social groups, and the need for continual political reform as the economy develops.

Sources Zhang Xiaogang, "Academics Offer Their Suggestions on Political Reform," China Daily (Beijing), 17 July 1987, p.4.

Item Date 87/07/17

## POLITICAL REFORM

RECORD: 527

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	Reformers are now rehabilitating ideas that first were made public during the "Double Hundred" period in the summer of 1986. Discussion of such topics as the conversion of state enterprises to joint stock companies is being revived with gusto. In some areas, such as discussions of markets for land and state enterprises, economic theorists have gone beyond the boldest notions of the Hu Yaobang era. Conservatives pay lip service to reform, but put obstacles in its way and wait to pounce on any mistakes or failures of reformists. To counter the reformists' current "media blitz," conservatives are relying on the General Office for News and Publications, which is heavily staffed with Deng Ligu appointees. A team of commissars under Hu Qiaomu is reported to have finished drafting a News and Publication Law that threatens severe penalties for publications judged "free-thinking."
Sources	"Potshots From the Left," <u>Asiaweek</u> (Hong Kong), 19 July 1987, pp.24-25.
Item Date	87/07/19

RECORD: 528

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Two county officials in Shandong lose their jobs for "serious bureaucratic errors" that resulted in a riot by hundreds of enraged garlic farmers. The County Head and CCP secretary of Cangshan County arbitrarily barred outsiders from purchasing garlic, a major crop, in Cangshan markets. A glut of garlic resulted, and angry peasants gathered at the county government offices to protest. They began throwing garlic stems at the building, and, as the riot developed, went on to break windows and "plunder" the offices until police broke up the affray and arrested nine peasants. <u>Renmin Ribao</u> (Beijing) discusses the incident, saying that bureaucratism is so insufferable in some localities that it must be dealt with immediately, without waiting for completion of political restructuring.

## POLITICAL REFORM

### Continued

Sources "County Head Sacked in Garlic Riot," Ta Kung Pao Weekly Supplement (Hong Kong), 23 July 1987, p.3.  
Item Date 87/07/23

RECORD: 589

Objectives GOVERNMENT  
Indicators Although theoretical discussion of economic reforms has been increasingly open and lively, conservative hardliners are by no means routed and are increasing their pressure on newspapers and publishers. In late June the CCP Propaganda Department held a meeting of leftist educators and journalists which reaffirmed the necessity of forging ahead with the campaign against bourgeois liberalization. The meeting, led by Deng Liqun and the editors of Guangming Ribao (Beijing) and Hongqi (Beijing), recommended "party life meetings" (criticism sessions) for a number of top liberal intellectuals. A current "media clean-up" drive, ostensibly directed against unauthorized publications specializing in violence and sex, is actually targeted at liberal intellectuals.

Sources "The Conservatives Hit Back" Asiaweek (Hong Kong), 26 July 1987, pp.17-18.  
Item Date 87/07/26

RECORD: 588

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators China's press now seems to be overwhelmingly pro-reform. Reformers are blaming economic problems on ideological ossification and sabotage by opponents of reform. As CCP leaders gather for their annual summer meeting at the Beidaihe resort, reformers are orchestrating a chorus of support for their plans. However, conservative efforts to muzzle those they consider "rightist" intellectuals, especially those associated with Zhao Ziyang, have continued, and some targeted intellectuals have lost advisory and editorial posts. The conservative CCP Discipline Inspection Commission has generated hundreds of bribery, kickback and commercial malfeasance cases, mostly involving abuses associated with free markets and reformist leaders.

POLITICAL REFORM

Continued

Sources "War Clouds Over Beidaihe" Asiaweek (Hong Kong), 2 August 1987, pp.23-24.  
Item Date 87/08/02

RECORD: 586

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators Renmin Ribao (Beijing) publishes a lengthy article explaining that a properly socialist economy includes a combination of state planning and market allocation rather than regulation only by a state plan. It argues that those who identify socialism exclusively with central planning do not understand Marxism or the need to make policy in accordance with China's concrete, material circumstances rather than the dictates of abstract, foreign theories.

Sources Liu Guoguang, "Carry Forward the Marxist Economic Theory During the Practice of Reform," Renmin Ribao (Beijing), 3 August 1987, in FBIS/China, 17 August 1987, pp.K19-28.  
Item Date 87/08/03

RECORD: 587

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators In elections for delegates to the October CCP Congress, rank-and-file CCP members have rejected some conservative candidates, including the sons of Chen Yun and Bo Yibo, as well as such key hardline propagandists as Du Daozheng, head of the watchdog Press and Publications Bureau, and Xiong Fu, editor of Hongqi (Beijing). On the other hand, former CCP General Secretary Hu Yaobang was elected with a huge majority, imparting the message that party's rank-and-file want the reforms to continue.

Sources "China's Hardliners Need To Get The Message Loud and Clear," Hongkong Standard, 3 August 1987, in FBIS/China, 6 August 1987, pp.K3-4.  
Item Date 87/08/03

RECORD: 585

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Xinhua publicizes the Ministry of Water Resources and Electric Power's disciplinary action against four cadres of the Huanghe Conservancy Board accused of serious

## POLITICAL REFORM

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bureaucratism. They allocated, without permission, timber and steel to a local construction company which promptly resold the materials in the open market at a great profit. The officials accepted bribes of cigarettes and alcoholic beverages.

Sources "Four Cadres Disciplined for Serious Bureaucracy," Xinhua (Beijing), 7 August 1987, in FBIS/China, 10 August 1987, p.K1.

Item Date 87/08/07

RECORD: 583

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators

Guangming Ribao (Beijing) publishes a summary of the "Theoretical Symposium On The Initial Stage of Socialism," held from 4 to 6 June under the joint sponsorship of the Beijing Federation of Social Science Workers, the Propaganda Department of the Beijing Municipal CCP Committee, the Beijing Academy of Social Sciences, and Xuexi Yu Yanjiu [Study and Research] (Beijing). The summary notes that the fundamental task in the initial stage is to develop the productive forces and that the development of mature, perfected socialism will be a long process. However, it is careful to stress that the basic character of the socialist system and the general socialist orientation of the country will not be changed. Further development will be "a transition from an imperfect and unevenly developed socialism to a more perfect and evenly developed system, and the transition will be guided by principles which orient the study of reality."

Sources Zhang Guoan, "Roundup of the Theoretical Symposium on the Initial Stage of Socialism," Guangming Ribao (Beijing), 10 August 1987, in FBIS/China, 19 August 1987, pp.K16-18.

Item Date 87/08/10

RECORD: 584

Objectives GOVERNMENT  
Subobjectives Democratization  
Indicators

The growing democratic awareness of the citizens of Guangzhou has contributed to the city's economic growth. Yang Ziyuan, Deputy Mayor of Guangzhou, says that CCP and government are now more aware of the need to consult with the deputies of the Municipal

## POLITICAL REFORM

### Continued

People's Congress. Much has been done to improve the exchange of opinions between citizens and municipal officials. Modes of opinion gathering include letter writing campaigns, special telephone lines in the Mayor's office to receive suggestions, and weekly radio and television programs on which municipal officials answer citizens' questions.

Sources Yang Xiaobing, "Democracy Blooms in Guangzhou," Beijing Review, 10 August 1987, pp.22-25.

Item Date 87/08/10

### RECORD: 529

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Su Shaozhi, Director of the Chinese Academy of Social Science's Institute of Marxism-Leninism and Mao Zedong Thought, is dismissed. Su offended party leaders with his criticisms of China's political system and his advocacy of democratic reforms. Unidentified Chinese sources claim that three other intellectuals, including liberal theorist Wang Ruoshui and playwright Wu Zuguang, have been forced to resign from the CCP. Wu confirmed that he had resigned from the party on 1 August. Sources say that Su will be removed quietly, without public announcement, to avoid alarming intellectuals, whose talents are regarded as crucial to modernization.

Sources Daniel Southerland, "Chinese Communist Party To Oust Leading Theoretician," Washington Post, 13 August 1987, p.A29.

Item Date 87/08/13

### RECORD: 530

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Polls taken by the Chinese Social Survey, under the auspices of the State Commission for Restructuring the Economy, show that an overwhelming majority of those polled believe political reform is necessary. People most want to change overstaffing in government offices, life tenure for government officials, and the absence of an effective system to oversee the work of state cadres.

## POLITICAL REFORM

### Continued

Sources Wang Donghai, "People Back Political Reform, Polls Say" China Daily (Beijing), 18 August 1987, p.1.  
Item Date 87/08/18

### RECORD: 531

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Wei Jiaxing, who took office as Minister of Supervision in June 1987, holds a press conference and pledges to combat embezzlement, bribery, sale of economic information, and dereliction of duty by those engaged in foreign trade. At present, the focus of the Ministry's work is on supervision of contracts signed with foreigners and on corruption and malfeasance by government officials. The Ministry of Supervision also will draft laws and regulations, such as an embezzlement law, administrative procedural laws, and regulations governing awards and punishments in government departments.  
Sources Xinhua (Beijing), 22 August 1987, in FBIS/China, 24 August 1987, pp.13-14.  
Item Date 87/08/22

### RECORD: 532

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators Zhao Ziyang tells visiting Thai Foreign Minister Siddhi Savetsila that the 13th CCP Congress will focus on further reforms which will require political reform. Political restructuring will center on building up the country's democracy and legal system.  
Sources "Congress To Set Out Theory of Reforms," China Daily (Beijing), 22 August 1987, p.1.  
Item Date 87/08/22

### RECORD: 533

Objectives GOVERNMENT  
Subobjectives Policy  
Indicators An authoritative Wen Wei Po (Hong Kong) article outlines the arguments for political reform which will be included in the political report to the 13th CCP Congress. Highly concentrated party, government, and economic power reflects the war years, and is appropriate for class struggle and the seizure of political power. But it is inappropriate for peacetime, routine economic development



## POLITICAL REFORM

### Continued

and the diversified growth of social life. Excessive concentration of power in the CCP has led to such tragedies as the Cultural Revolution, and another objective of political reform is to prevent recurrence of such events. It will be impossible to complete economic reform unless the increasingly apparent contradictions between the economic and the political structures are resolved through political reform.

#### Sources

Cheng Hsiang, "The Necessity of Political Structural Reform - Preview of the 13th Party Congress," Wen Wei Po (Hong Kong), 26 August 1987, in FBIS/China, 26 August 1987, p.11.

#### Item Date

87/08/26

### RECORD: 534

#### Objectives

GOVERNMENT

#### Subobjectives

Ideology

#### Indicators

On an inspection tour of Jilin and Liaoning provinces, Political Bureau member Hu Qili calls on propaganda workers to further publicize economic and political reforms. Propaganda work must suit China's reforms and opening to the outside world, and must help implement the CCP's line since 1979. Hu stresses the need to publicize Deng Xiaoping's theory of building socialism with Chinese characteristics, which is "a crystallization of our party's collective wisdom and a major development of Marxism in China today."

#### Sources

Xinhua (Beijing), 30 August 1987, in FBIS/China, 31 August 1987, p.16.

#### Item Date

87/08/30

### RECORD: 535

#### Objectives

GOVERNMENT

#### Subobjectives

Policy

#### Indicators

Conservative ideologues are reported to be countering reformist calls for separation of party and state by arguing that economic reforms have seriously weakened the CCP. They claim that in the prosperous, reformist provinces of Zhejiang and Jiangsu few educated people are joining the CCP. In Zhejiang's Wenzhou prefecture, a model of economic development based on private entrepreneurs, the CCP is in danger of disappearing through attrition. In one Wenzhou county, 85 percent of all party members are over 35 years of age and only 30 percent have more than a primary

## POLITICAL REFORM

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school education. In another locality, all eight members of the CCP branch joined the party before 1949.

Sources "A Leftist Show of Force," Asiaweek (Hong Kong), 30 August 1987, p.20.  
Item Date 87/08/30

### RECORD: 536

Objectives GOVERNMENT  
Subobjectives Democratization  
Indicators The widespread changes this year in local people's congresses are of great significance for the development of democracy. The changes include the extension of popular "elections" to the county level (previously restricted to elections below the county level), the requirement that the number of candidates exceed the number of seats, and the abolition of the ethnic, "model worker," and other quotas that made it difficult to recruit well-qualified candidates. Although local CCP congresses, unlike their state counterparts, still appoint office-holders according to the quota system, changes in state procedures suggest that similar party reforms may follow.

Sources Deborah Diamond-Kim, "China On the Eve" China Business Review (Washington), September-October 1987, p.13.  
Item Date 87/09/01

### RECORD: 538

Objectives GOVERNMENT  
Subobjectives Administration  
Indicators The distribution of cadres is very irrational and not suited to economic development. Departments for economic supervision and readjustment employ only 5.7 percent of China's cadres. Furthermore, between 1978 and 1986 the number of state cadres increased at an annual rate of 7.5 percent, while those of industrial workers grew at 3.3 percent a year. Such a swelling of the ranks of cadres inevitably encourages bureaucratism and diminishes work efficiency.

Sources Tang Tian, "Readjustment of the Cadre Distribution System is Imperative," Liaowang (Beijing), 7 September 1987, in FBIS/China, 18 September 1987, pp.18-19.  
Item Date 87/09/07

## POLITICAL REFORM

RECORD: 537

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	<u>Wen Wei Po</u> (Hong Kong) claims that the 13th Party Congress will suggest the step-by-step disbanding of party leading groups in ministerial level offices, so that the State Council will be able to exercise true leadership over its subordinate departments. If adopted, this would be an important reform measure for separating party and government functions.
Sources	<u>Wen Wei Po</u> (Hong Kong), 8 September 1987, in FBIS/China, 8 September 1987, p.25.
Item Date	87/09/08

RECORD: 539

Objectives	GOVERNMENT
Subobjectives	Democratization
Indicators	In an example of political reform, 23 former section officials in the Ministry of Urban and Rural Construction and Environmental Protection have been promoted to bureau heads by democratic recommendation. A four-month democratic evaluation of officials included leaders' reports to their staff, anonymous questionnaires, and staff recommendations by secret ballots and resulted in the transfer of ten incompetent cadres. The Ministry of Urban and Rural Construction and Environmental Protection has been a pioneer in personnel reform and many other ministries are now following its lead.
Sources	"Officials Promoted On Staff's Advice, <u>Beijing Review</u> , 14 September 1987, pp.6-7.
Item Date	87/09/14

RECORD: 540

Objectives	GOVERNMENT
Subobjectives	Ideology
Indicators	At a forum on reform and scientific socialism organized by <u>Guangming Ribao</u> (Beijing), economists agree that it is necessary to clearly distinguish science from idle dreams and materialism from idealism in order to develop theories of scientific socialism. Empty talk about socialism will result in failure to test scientific socialism in practice. All the economists agree that the productive forces constitute the fundamental motive force in social development, and any "ism" which neglects the development of

## POLITICAL REFORM

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productive forces while insisting on a high level of public ownership and on making all people rich at the same time is totally utopian.

#### Sources

"Draw a Clear Line Between Socialism and Utopianism," Xinhua (Beijing), 16 September 1987, in FBIS/China, 18 September 1987, pp.15-16.

#### Item Date

87/09/16

### RECORD: 541

#### Objectives

GOVERNMENT

#### Subobjectives

Democratization

#### Indicators

The elections for deputies to people's congresses at the township and county levels demonstrate enhanced democratic consciousness and respect for law by the public. The elections are decided entirely by the number of votes, and any candidate nominated by 10 or more voters is listed along with candidates nominated by the CCP, other democratic parties, or mass organizations. The election of deputies every three years also provides an opportunity to publicize legal knowledge.

#### Sources

"Democratic Ideas Show in Elections," China Daily (Beijing), 18 September 1987, p.4.

#### Item Date

87/09/18

### RECORD: 542

#### Objectives

GOVERNMENT

#### Subobjectives

Policy

#### Indicators

Deng Xiaoping's voluminous expositions on political restructuring can be summed up in three basic points: political reform aims at consolidating and improving the socialist system; productive forces must be developed to realize socialist modernization as quickly as possible; and socialist democracy must be promoted to encourage people's enthusiasm for socialist construction. The goal is to establish a democratic socialist political system which is compatible with the socialist commodity economy.

#### Sources

Huang Chi, "Why Deng Stresses Political Restructuring," Beijing Review, 21 September 1987, pp.14-15.

#### Item Date

87/09/21

### RECORD: 543

#### Objectives

GOVERNMENT

#### Subobjectives

Ideology

## POLITICAL REFORM

### Continued

Indicators In its annual National Day editorial, Renmin Ribao (Beijing) hails reforms and condemns leftism as the principal danger in the new historical period.

Sources Xinhua (Beijing), 30 September 1987, in FBIS/China, 1 October 1987, pp.12-13.

Item Date 87/09/30

### RECORD: 544

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators A commentary in Jingji Ribao (Beijing) stresses the need for theoretical and propaganda workers to explain the theory of the initial stage of socialism in simple and convincing terms.

Sources "Study the Theoretical Basis of Reform," Jingji Ribao (Beijing), 2 October 1987, in FBIS/China, 21 October 1987, pp.9-10.

Item Date 87/10/02

### RECORD: 545

Objectives GOVERNMENT  
Subobjectives Administration  
Indicators Separating the functions of the CCP and the government is one of the major goals of political reform. The system of highly centralized party leadership played a positive role during the war period before the establishment of the People's Republic in 1949, but simply could not work in running a country as large and complex as China during peacetime. The highly centralized leadership system resulted in problems such as one-man arbitrary decisions, low work efficiency, buck-passing, and nepotism. However, the reforms should not lead to the illusion that the CCP will give up its leading position in the country's social, political, and economic life.

Sources Wang Gangyi, "Reform To Define Future Party Role," China Daily (Beijing), 6 October 1987, p.4.

Item Date 87/10/06

### RECORD: 546

Objectives GOVERNMENT  
Subobjectives Ideology  
Indicators The 13th CCP Congress is expected to attempt a comprehensive theoretical justification for economic reforms based on the concept of the

## POLITICAL REFORM

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preliminary stage of socialism. An ideological basis for the reforms is needed because in the past year reforms have come under sustained ideological attack from conservatives.

Controlling the definition of socialism and the interpretation of Marxist doctrine has become a critical political challenge. Coming up with a new definition of socialism poses serious risks of exacerbating factional strife within the party, as a complex debate about the nature of socialism has endured for more than 30 years. Deng Xiaoping has repeatedly dodged the issue, using delphic phrases such as "socialism with Chinese characteristics." Robert Delfs, "Ideological Inconsistencies," Far Eastern Economic Review (Hong Kong), 8 October 1987, pp.50-52.

Sources

Item Date

87/10/08

### RECORD: 547

Objectives

Subobjectives

Indicators

GOVERNMENT

Democratization

A Xinhua commentary stresses supervision as an important component of democracy. "History teaches us that power must be properly supervised and that power without supervision will corrupt." A system of supervision in all fields, at various levels, has been gradually formed in China. Examples of effective supervision include petitions and letters from citizens to disciplinary and legal offices, public opinion polls, inspections by NPC deputies, democratic evaluation of cadres by the staff of their organizations, and the work of the recently (1986) established State Ministry of Supervision.

Sources

"Supervision, An Important Chapter of Democracy," Xinhua (Beijing), 18 October 1987, in FBIS/China, 23 October 1987, pp.21-22.

Item Date

87/10/18

### RECORD: 549

Objectives

Subobjectives

Indicators

GOVERNMENT

Administration

Zhao Ziyang is strengthening the Ministry of Supervision which was re-established in 1986 by reformers to dilute the power of the CCP Discipline Inspection Commission, a conservative power center which had been harassing entrepreneurs on trumped-up charges of corruption. The Ministry of Supervision has

POLITICAL REFORM

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now taken responsibility for all cases involving corruption in foreign trade.

Sources Asiaweek (Hong Kong), 23 October 1987, p.30.  
Item Date 87/10/23

RECORD: 550

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy

The work of "straightening out" newspapers and journals in areas other than the natural sciences has ended, with 594 closed down. Over 90 percent of these ceased publication because they were "duplicative, irrationally composed, or lacked qualified editorial personnel or printing facilities." Thirty-seven were ordered to close because their "artistic style and quality" were bad and because they "violated propaganda discipline." Five were closed because they "propagated bourgeois liberalization and committed other serious mistakes." The publications closed down account for only 11.2 percent of the 5,314 papers and journals, including those on Chinese philosophy and the social sciences, which were examined. Examination of 1,600 publications on natural science is still under way.

Sources Zhongguo Tongxun She (Hong Kong), 26 October 1987, in FBIS/China, 27 October 1987, pp.34-35.  
Item Date 87/10/26

RECORD: 551

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy

At the opening session of the 13th CCP Congress, Acting General Secretary Zhao Ziyang reads a two and a half hour report advocating further economic reform. He calls for greater separation of party and government and proposes establishing a civil service system with recruitment based on examinations.

Sources Edward A. Gargan, "More Change Due in China's Economy," New York Times, 26 October 1987, p.A1.  
Item Date 87/10/26

RECORD: 552

Objectives  
Subobjectives

GOVERNMENT  
Ideology

## POLITICAL REFORM

### Continued

**Indicators** In his report to the 13th CCP Congress, "Advance Along the Road of Socialism With Chinese Characteristics," Acting General Secretary Zhao Ziyang expounds the theory of the primary stage of socialism and calls for further modernization, reform, and the development of diverse forms of ownership. After explaining the need for political reform to support and reinforce economic reform, he proposes separating the party and the government, delegating power to lower levels, replacing the present cadre system with a formal civil service system, and establishing a system of consultation and dialogue.

**Sources** Zhao Ziyang. "Advance Along the Road of Socialism With Chinese Characteristics," Beijing Review, undated pamphlet.

**Item Date** 87/10/26

RECORD: 548

**Objectives** GOVERNMENT  
**Subobjectives** Policy  
**Indicators** A sample survey, taken in 22 provinces and autonomous regions just before the 13th CCP Congress, shows that over two-thirds of China's citizens welcome the reform of the political system.

**Sources** Xinhua (Beijing), 29 October 1987, in FBIS/China, 30 October 1987, p.51.

**Item Date** 87/10/29

RECORD: 553

**Objectives** GOVERNMENT  
**Subobjectives** Policy  
**Indicators** The well known political scientist Yan Jiaqi, Director of the Chinese Academy of Social Science's Political Research Institute, says that Zhao Ziyang's report to the 13th CCP Congress shows that China has taken an important step on the road toward democratic politics. Yan calls for scholars and China's mass media to discuss the new questions and ideas which will come up in the effort to carry out political reform. Theoretical explanations should be given to party and government officials and to the general public so they will understand and support political reform. Yan stresses that political reform will be a long process, but that the next 5 to 10 years will be a crucial period in which any social unrest might lead to the rise of



## POLITICAL REFORM

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Sources "ultra-leftist" ideology. Political reform must be carried out step by step, in an orderly way, under the leadership of the CCP. "Yan Jiaqi Says China Has Taken An Important Step Forward On The Road Toward Democratic Politics," Zhongguo Xinwen She (Hong Kong), 29 October 1987, in FBIS/China, 30 October 1987, p.33.

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RECORD: 554

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy  
Chen Pixian, Vice Chairman of the NPC and a delegate to the 13th CCP Congress, says that various government departments must accept supervision by the NPC, the supreme legal supervisory body of the country. It should be made clear that the relationship between the People's Congress on the one hand and the government, court, and procuratorate on the other is one of supervisor and supervised. The People's Congress must consciously subject itself to the party's leadership and the people's supervision. However, some local party organizations attach little importance to supervision by the People's Congress. The party leadership does not mean to issue orders directly to the People's Congress. This point, Chen Pixian says, "must be made clear to leading comrades from the party Central Committee down to local party committees." Xinhua (Beijing), 31 October 1987, in FBIS/China, 2 November 1987, pp.4-5.

Sources

Item Date 87/10/31

RECORD: 555

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy  
Zhao Ziyang's report to the 13th CCP Congress outlined an ambitious program of political reform, the scope of which surprised even well-informed Chinese officials. Some proposals for realizing separation of the functions of party and government were startlingly concrete. "Henceforth party committees ... will no longer designate a full time secretary or standing committee member who holds no government post to take charge of government work." Party branches which overlap government departments should be abolished.

## POLITICAL REFORM

### Continued

The party leadership role is explicitly defined for the first time. "The party formulates political principles and directions, makes major policy decisions, and recommends cadres for the key positions in organs of state power. ... It makes its views the will of the state through legal procedures."

Sources Robert Delfs, "Shareholders Arise!" Far Eastern Economic Review (Hong Kong), 5 November 1987, pp.12-14.

Item Date 87/11/05

RECORD: 556

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy

Although a quarter of Zhao Ziyang's report to the 13th CCP Congress was devoted to political reform, the reformers seem to have made significant concessions in this area. The report has little to say about democratization or participation by the people. Zhao spoke in vague terms about listening to the voice of the people and "establishing a system of consultation and dialogue." An unnamed source claims that some of Zhao's young advisors hope to expand the scope of direct elections within 5 to 10 years to include direct elections to municipal and provincial people's congresses. Although early drafts of Zhao's report were reported to have called for the abolition of CCP branches in government departments and major enterprises, the final version merely stated that the party committee (of a government unit) would not have a party secretary who holds no government post.

Sources "A Congress of Reform," Asiaweek (Hong Kong), 6 November 1987, pp.25-34.

Item Date 87/11/06

RECORD: 557

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy

The major beneficiaries of reform are entrepreneurs and intellectuals. The major power blocs opposing reform are the army, which has had its funds cut, and urban workers, whose "iron rice bowl" is under attack. Li Yining, a liberal Beijing University economist, is quoted by Asiaweek (Hong Kong) as saying that "Reform is not a

## POLITICAL REFORM

### Continued

dinner party," a reference to a well-known quotation from Mao Zedong ("Revolution is not a dinner party"). Reform entails a redistribution of power and rewards, and some segments of society will suffer.

Sources

"A Congress of Reform," Asiaweek (Hong Kong), 6 November 1987, p.34.

Item Date

87/11/06

RECORD: 558

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy

China will soon issue regulations on the civil service system, establish a new special institution under the State Council to take charge of public servants, and set up central and local colleges to train civil servants. The regulations will be implemented on a trial basis in some ministries and commissions of the State Council. Public servants will be divided into two categories: executive and professional. Those with decisionmaking and command powers will serve for limited terms, and their election, appointment, and removal from office should be strictly in line with the Constitution and laws. Those doing professional work will have to pass a statutory examination in open competition and their terms of employment will be governed by explicit, legal stipulations.

Sources

Xinhua (Beijing), 9 November 1987, in FBIS/China, 9 November 1987, pp.21-22.

Item Date

87/11/09

RECORD: 559

Objectives  
Subobjectives  
Indicators

GOVERNMENT  
Policy

The CCP Central Committee and the State Council agree to transfer over 500,000 state cadres from overstaffed agencies to legal, tax, industrial, and commercial agencies. The transfer will be made within the next 14 months, that is, by the end of 1988.

Sources

"500,000 Cadres Will Reinforce Departments," China Daily (Beijing), 12 November 1987, p.1.

Item Date

87/11/12

RECORD: 560

Objectives  
Subobjectives

GOVERNMENT  
Policy

## POLITICAL REFORM

### Continued

Indicators Half a million cadres, mainly charged with supervising the production of different industries and compiling detailed plans for all their business affairs, will be transferred to the newly important judicial, taxation, market inspection, banking, and insurance organizations. The transfers reflect the economic reform under which the state will do less direct management of enterprises and more indirect control and guidance.

Sources "500,000 Cadres," China Daily (Beijing), 14 November 1987, p.4.

Item Date 87/11/14

RECORD: 561

Objectives GOVERNMENT

Subobjectives Democratization

Indicators The 13th CCP Congress made several significant amendments to party procedural rules. Elections to party congresses at all levels now must have more candidates than the number of positions to be filled. Party organizations retain the long-standing principle of the subordination of the minority to the majority, but a new sentence in the CCP Constitution states: "To decide on important matters, a vote must be taken." If there is no majority, a second vote will be taken after further investigation and discussion. The requirement that formal votes be taken forces the voting members to take a clear stand on the issues and also serves to limit the role of non-voting members, such as the Standing Committee of the Central Advisory Commission whose members played a large role in the January 1987 dismissal of CCP General Secretary Hu Yaobang. In organizations such as industrial enterprises which have implemented the managerial responsibility system, the role of the party is no longer to "direct," but to "guarantee" and "supervise" administrative work.

Sources "The Thirteenth Party Congress (Part 1)" China News Analysis (Hong Kong), 15 November 1987

Item Date 87/11/15

RECORD: 562

Objectives GOVERNMENT

Subobjectives Administration

## POLITICAL REFORM

### Continued

Indicators China's 27 million state cadres include 10.8 million working in education, public health, and scientific and technical departments, and 10.3 million managerial personnel in enterprises. Only about 4 million working in government departments can really be called public servants. The reform of the cadre system will separate these 4 million government workers from the general cadre ranks and place them under a new special organization under the State Council.

Sources Xinhua (Beijing), 18 November 1987, in FBIS/China, 18 November 1987, pp.17-18.

Item Date 87/11/18

### RECORD: 563

Objectives GOVERNMENT

Subobjectives Policy

Indicators The Standing Committee of the 6th NPC approves the Village Committee Law, which will take effect on 1 July 1988. The law, aimed at promoting socialist democracy in China's rural areas, defines the character, functions, and tasks of village committees, as well as their relations (cooperation but not direct, formal subordination) with township governments. China now has about 948,000 village committees.

Sources Xinhua (Beijing), 24 November 1987, in FBIS/China, 25 November 1987, pp.10-11.

Item Date 87/11/24

### RECORD: 564

Objectives GOVERNMENT

Subobjectives Policy

Indicators Renmin Ribao (Beijing) hails the promulgation of the law on village committees as a major measure for building socialist democratic politics with Chinese characteristics, and as a concrete step toward reform of the political structure. The village committee will not be an organ of state power or affiliated with the township government. It will be a grassroots organization formed by the peasants to manage their own affairs under the leadership of the CCP and within the limits prescribed by state laws and regulations.

Sources Renmin Ribao (Beijing), 26 November 1987, in FBIS/China, 30 November 1987, p.16.

Item Date 87/11/26

## POLITICAL REFORM

### RECORD: 565

Objectives	GOVERNMENT
Subobjectives	Democratization
Indicators	The Tianjin Economic and Technological Development Zone has begun to select its officials through elections. In November 1987 it held an election for the 18 members of its managerial committee, two of whom were not re-elected. In 1986 a 27-member democratic appraisal committee was elected and granted powers to address inquiries to and to impeach officials of the Development Zone.
Sources	Xinhua (Beijing), 1 December 1987, in FBIS/China, 2 December 1987, p.38.
Item Date	87/12/01

### RECORD: 566

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	A seminar in Beijing, jointly sponsored by the (state) Media and Publications Office and the All-China Journalists Association, concludes that press reform has become an urgent task. Du Daozheng, Chairman of the Media and Publications Office, says that an important aspect of press reform is letting the people know about and discuss vital topics and making their opinions, proposals and complaints known to the authorities. Li Pu, former deputy president of the Xinhua News Agency, calls for comprehensive reform of the press system and of press legislation.
Sources	"Time For Press Reform," <u>China Daily</u> (Beijing), 4 December 1987, p.4.
Item Date	87/12/04

### RECORD: 567

Objectives	GOVERNMENT
Subobjectives	Policy
Indicators	Since the 13th CCP Congress, the issue of press reform, which had died down during the campaign against bourgeois liberalization, has risen again. The speakers at a mid-November annual press meeting in Beijing agreed that to reform the press it was necessary to tell the truth, to be more open and comprehensive, and to hold more consultations and dialogues with readers.
Sources	Ye Long, "The Wind of Press Reform Has Risen Again on the Mainland," <u>Zhongguo Xinwen She</u> (Hong Kong), 6 December 1987, in FBIS/China, 7 December 1987, p.25.

## POLITICAL REFORM

### Continued

Item Date 87/12/06

#### RECORD: 568

Objectives GOVERNMENT  
Subobjectives Democratization  
Indicators The 13th CCP Congress described establishing a system of consultation and dialogue as an important part of political reform. From now on such dialogues will become more common and institutionalized. Consultation and dialogue will permit the party and government to learn the opinions and wishes of the masses and so help overcome bureaucratism. They will allow the masses to learn the reasons for government policies and so diminish popular discontent and grumbling. Consultation and dialogue promote mutual understanding, reconciliation of contradictions, unity and stability, and the smooth development of reforms.

Sources Dai Yannian, "Consultation and Dialogue," Beijing Review, 21 December 1987, p.4.

Item Date 87/12/21

#### RECORD: 569

Objectives GOVERNMENT  
Subobjectives Democratization  
Indicators In his report to the 13th CCP Congress, Zhao Ziyang said "The essence of socialist democracy is that the people are masters of the country." This principle is expressed at two levels: one is the NPC and local people's congresses, which exercise state power; the other is direct democracy at the grassroots level. The village committee law is an example of the second. Since the foundation of the People's Republic in 1949, all rural grassroots organizations have been administrative organs, subordinate to the next highest level. The village committees, which exercise self-management, are, however, instruments for the villagers to directly exercise their democratic rights. The village committee, composed of 7 or 8 members, is directly responsible to the village conference, composed of all villagers above the age of 18. The village committee must accept majority rule, abide by laws and regulations, and cooperate with the township government.

Sources Li Li "Developing Democracy at Basic Units," Beijing Review, 28 December 1987, p.4.

Item Date 87/12/28