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NATIONAL AFFAIRS, POLICY

Liu Guoguang Comments on Reform as 'Second Revolution'

92CE0603B *Chongqing GAIGE [REFORM] in Chinese*
No 4, 20 Jul 92 pp 10-11

[Article by Liu Guoguang (0491 0948 0342): "Reform Is a Second Revolution"]

[Text] The reform of China's economic structure has been going on for over 10 years. Reform has greatly contributed to the development of China's social productive forces, and brought extensive changes to the entire socioeconomic life. What is the actual nature of the social transformations of this reform? What is its significance? The chief architect of China's socialist modernization projects, Comrade Deng Xiaoping, has provided a brilliant exposition: "Reform is liberation of productive forces, reform is revolution," and "reform is China's second revolution." This set of scientific designations are like a lighthouse that pierces the dense fog surrounding the understanding of reform and lights up the course that the reform is to take.

During the past 10 years, there have been diverse discussions of the nature of China's economic reform at home and abroad. For instance, some regard China's reform as a radical transformation of the social system, i.e. a transformation from the socialist system based on a public-ownership system to the capitalist system based on a private-ownership system. They have then also taken this as criterion for an assessment of whether there has been progress or regression, success or failure in China's reform. This view is completely inconsistent with the reality of China's reform; it is completely erroneous. Actually, China's economic reform has right from the beginning clearly and definitely proceeded within the framework of a fundamental socialist system, and it will also in future firmly uphold the socialist road. Precisely as Comrade Deng Xiaoping pointed out, China's reform is China's own perfection of the socialist system, which to some extent and within a certain scope entails transformations of revolutionary character.

How are we to understand reform as it is proceeding within the framework of a fundamental socialist system? Some comrades believe, that after establishment of the fundamental socialist system, and in the wake of the continuously developing productive forces, certain imperfections and some factors detrimental to the development of the productive forces will continuously appear in the socialist production relations and in the superstructure, defects which will require continuous improvements and perfections. The specifics of these continuous improvements and perfections of the production relations and of the superstructure, processes which conform to the need for continuous development of the social productive forces, that, then, in their opinion, is reform. In this way we come to understand reform as all-encompassing transformations, comprising

minor and partial improvements, and, furthermore, running through the entire course of socialism (including its initial stage) from beginning to end. I believe this type of an understanding is also inconsistent with the reality of China's reform, as it is now being pursued. China's reform, an undertaking of a historically significant character, is not something that has existed in the past, and is also not looking into a remote future; it also does not have minor and partial perfections as its task. China's current reform was first proposed and started at the end of the 1970's. It demanded the achievement within not too long a period of historical time (for instance, within 30 or 40 years) the radical transformation throughout the entire system of the socialist economic structure. In the long flow of history, China's reform must not be an endlessly protracted, slowly proceeding quantitative transformation, but rather a rapidly progressing qualitative transformation within a rather condensed period of time. I think herein may possibly lie the true meaning of "reform is revolution."

Several decades ago, the Chinese people, under the leadership of the CPC, seized political power, established the socialist system, liberated the social productive forces which had been fettered by the old exploitative and oppressive social system, and promoted the socioeconomic development of China. This was the first revolution. Why is it then necessary today, several decades later, to engage in a second revolution? It is my understanding that this is not only related to the fact that vestiges of views and institutions (such as vestiges of feudalism), legacies of the old society, that fettered the development of productive forces have not yet been completely eliminated. More importantly, it is related to the fact that socialism is still very young, that people still lack sufficient experiences in the building of socialism, and that the system of the traditional planned economy, built up on the foundation of traditional concepts with their erroneous understanding of socialism, was still capable during the early years of the PRC, during the grim stage of domestic and foreign class struggle, when the level of development of the productive forces was still fairly low, while the structure had remained comparatively simple, to suit to a certain extent the demands of economic construction. However, during the later historical stage when the economic scope expanded, the structure daily increased in complexity, and when international and domestic conditions allowed us to concentrate energy on raising our economy to higher levels, that kind of traditional system of planned economy, built on the foundation of traditional concepts, began to show increasingly that it had become ossified and rigid, an obstacle to the development of the social productive forces, and incapable of meeting the challenges of the Western market economy. This has been proven by the historical realities, and this makes it therefore necessary to carry out a second revolution, its task being the renewed liberation of productive forces, i.e. to radically transform the old ossified and rigid economic structure

which fettered the development of the productive forces, and to build up a new economic structure that will be full of vigor and vitality.

Social revolutions throughout history have always had the mission of transforming an ossified system into a system of vitality. The presently ongoing "second revolution" is different from the revolutions of past history in that this transformation of the system does not involve any changes in the state of the socioeconomic foundation and in the fundamental institutions, does not involve any changes of the political power. On the contrary, it demands, as a prerequisite, a strengthening of the stability in the political situation and a strengthening of the democratic legality, to achieve the objective of manifesting more effectively the superiority of socialism and of consolidating and developing the fundamental institutions of socialism. When Comrade Deng Xiaoping elaborated on the theme of structural reform being a revolution, he said: "This is not a revolution that targets people, but one that targets the structure." This theme applies to the entire revolutionary undertaking. A revolution targeting the structure must, of course, unavoidably involve efforts to renovate the ideology and concepts held by the people, as these ideas form the theoretical foundation for the particular type of system. It must also involve adjustments of the interest relations among the people, relations which are at the core of the economic mechanism. Practice has proven that renovating the ideology and concepts of the people and the adjustment of interest relations are precisely the two difficult issues which the structural reform will always have to encounter from start to finish. They are also problems that necessitate greatest effort throughout the entire course of the reform to arrive at an effective solution and an effective disposition of these questions.

With regard to the reform as it is now being pursued in China, it seems to me that if we are to radically transform the economic structure, it will be necessary to perform one big shift in the traditional socialist economic pattern. It would mean gradually shifting from the pattern of the planned economy, which had evolved from the foundation of natural economy and product economy concepts, and that had rejected the market to arrive at the socialist commodity economy, i.e. market economy pattern, based on the theory of a planned commodity economy. What is being referred to here is of course a socialist market economy pattern. It will have the fundamental socialist characteristics of the public ownership system, distribution according to work performance, etc. as its main components, to differentiate it from the capitalist market economy. This shift in the economic pattern has already been going on for over 10 years and has shown great progress. However, it appears as if another 20, 30 years are still needed until it is fully in place. The vital reason why progression in this shift is beset with difficulties and with tortuous complexities is that certain traditional views cannot easily be given up, and that certain group interests would be affected. To presently accelerate reform, it is therefore vital to still

maintain a realistic attitude, to further free ourselves from old ideas, and, furthermore, to cautiously and effectively deal with the interest relations among the various quarters involved.

Tax Director Jin Xin on Taxation Reform

*HK2608044392 Beijing FAZHI RIBAO in Chinese
23 Jul 92 pp 1, 2*

[By staff reporters Chen Yingge (7115 2019 7245) and Hu Yong (5170 0516): "Target: To Push Enterprises Toward the Market—Jin Xin, Director of State Administration of Taxation, on Reform of the Taxation System"]

[Text] Comrade Xiaoping's talks made during his southern inspection tour have conjured up a surging wave of reform and opening up across China. Various new measures for quickening the pace of reform and extending opening up in various localities and departments have formed strong shock waves one after another, urging people to go all out to make progress and forge ahead on the vessel of China's economic construction, surmounting all difficulties and braving the wind and the waves!

When there is an opportunity, we must seize it, and race against time, for time waits for no one!

Under the new situation, what new train of thought and action should taxation organs have, as important departments organizing state revenues and conducting macro-control? How should taxation work be placed in the overall situation of reform and opening up, while insuring their smooth sailing? Taxation administrations at all levels as well as half a million of their cadres across China are contemplating; for this reason, China's No. 1 taxation official, Jin Xin, director of the State Administration of Taxation, often fails to sleep and finds it hard to ease his mind! Jin Xin has been to Guangxi, Yunnan, and the Northeast to conduct surveys and research, and on several occasions called discussion meetings for directors of taxation administrations of some provinces and cities. The sense of responsibility and mission has become stronger in the director's mind. No matter where he goes, he sees that everyone is exploring new trains of thought, with many new policies announced and many new measures set out. With the deepening of reform and expansion of opening up, new conditions and problems have emerged in an endless stream, with new topics calling for people's understanding and resolution every minute. This being the case, Director Jin has come to the conclusion: Taxation administrations at all levels must comply with the current of reform, augment the sense of reform and opening up, renovate concepts, break conventional rules and regulations, change work method and style, consciously place taxation work in the overall situation of reform and opening up, and do a still better job in subjecting themselves to and serving reform and opening up to ensure their smooth sailing.

"Presently, the focus of deepening reform is converting, completing and perfecting the enterprise operational mechanism, and taxation departments should focus on this center, firmly grasping the favorable opportunity to accelerate the process of reform of the taxation system. Reform in taxation should proceed from reality, while being bold at breaking away from existing frameworks, emancipating the mind to promote enterprises founding a new mechanism of sound circulation; and it is imperative to push enterprises toward the market in a down-to-earth way, turning them into genuine producers and managers of commodities who operate on their own and assume sole responsibility for profits and losses, not just paying lip service to this. Jin Xin laid stress on almost every word he said, with the will of the taxation system from the top to the grass roots unified on this point."

It is imperative to take the adjustment of the financial taxation and distribution structure as an important content in realizing the conversion of the enterprise mechanism, Jin stated. In the strategy for reform in the taxation system, we must be determined to pay some price for a rational new mechanism, while refraining from tying our own hands because of excessive immediate misgivings; the more so should we refrain from making static calculations, resulting in timidity in making decisive steps. Importantly, we must simplify the taxation system, standardize methods of distribution, iron out distribution relations, guide enterprises to advance toward the market, and introduce fair competition through unifying tax laws. Only such a mechanism has long-range effects, and is the reliable basis for realizing stable finance with staying power.

To implement this guiding idea, the State Administration of Taxation is firmly grasping the implementation of three measures:

Unifying enterprise income tax. Presently, state-owned, collective, and private enterprises implement different regulations for income tax; their tax rates vary, with inequality in their tax burden. This is not helpful to fair competition. This being the case, it is imperative to formulate unified enterprise income tax regulations, showing no discrimination toward enterprises in different categories. The standardization of distribution relations between the state and enterprises through levying income tax will gradually eliminate the jigsaw-like methods of distribution; at the same time, we must be determined to abolish repayment of loans before tax to form enterprise self-restraint in their investment behavior. This will also be helpful to the banks in setting up their risk mechanisms in making loans.

Standardizing income tax. Presently, there actually are two laws on income tax, one being the personal income tax law, and the other the provisional regulations on regulating personal income tax. The former was 1980 legislation to comply with the requirements of opening up to the world, aimed chiefly at foreign nationals; and the latter is chiefly aimed at regulating the income gap of members of society. However, these practices are not standardized, and active

study should be conducted to unify the two laws. This is helpful to augmenting the taxation legal system, and is also of important significance to reform of the system of distribution of personal income.

Improving existing circulation taxes. Circulation taxes include appreciation, product, and operation taxes and unified industrial and commercial tax applicable to foreign-funded enterprises. The existing appreciation tax and product tax are not well-coordinated, with 12 grades of tax rates, which is excessively overelaborate. It is necessary to implement universal regulation of the economy through appreciation tax, and to apply product tax to implement specific regulation. In view of the increasingly greater number of foreign-funded enterprises and the tendency by which domestic and foreign-funded enterprises become interwoven, it is necessary to give overall consideration to placing the merging of unified industrial and commercial tax with the circulation tax on domestic enterprises in the reform of circulation tax.

In the world today, the taxation laws of all sovereign states are unified, Director Jin stressed; furthermore, the practice of relying on a tariff wall to protect the products of one's own country is already outmoded in a world market with very fierce competition. This being the case, unifying tax laws and fair taxation is conducive not only to the development of the socialist market economy, but also to Chinese enterprises facing the challenges of world competition. There is no way out for a locality to protect its own projects by pinning its hopes on formulating its own tax laws and regulations and setting up a tariff "fence." Should an enterprise rely on tax cuts and profits concessions only, it will eventually suffer defeat in competition.

Taking an overall view of all countries in the world, the tax laws of those countries where the market economy is more developed are more often than not very rigid, because this is the inevitable requirement of the commodity economy. In developed Western countries, tax evasion is equated with theft and robbery, and is subject to legal sanctions. In 1973, then U.S. Vice President Agnew was exposed as evading personal income tax, and his case roused a public opinion hue and cry. Consequently, Agnew was forced to resign to a chorus of public condemnation. The Italian international movie star Sophia Loren was accused of "the crime of tax evasion"; to avoid the penalty, she had to live abroad. Some years later, she believed circumstances had changed with the passage of time, and made a journey to her homeland; but the minute she stepped from the plane, she was arrested by the police. When there are such stern laws, who dares defy the law? According to Jin Xin, in any country, taxation is based on the law, and an important principle in taxation is to administer taxation according to the law. When studying Western managerial experience, administering taxation according to the law is worth our study.

In reform and opening up today, some comrades have doubts whether or not it is necessary to stress administering taxation according to the law. Some people believe that presently large and medium-sized state-owned enterprises have greater difficulties, and on such grounds they advocate relaxing the administration of tax collection somewhat. Some places have set up their own "development zones," and "opening zones" and opened breaches in tax collection. On this point, Director Jin pointed out that viewing such practices, they seemed to have supported enterprise development for a time in some aspects. But if everyone did this, while comparing themselves with each other, it would end in confusion in policies; furthermore, "preferential treatments" would also be counteracted. That would not help either the overall situation or the enterprise. Director Jin stated that administering taxation according to the law and reform and opening would supplement each other, and setting them against each other was obviously a misunderstanding. The impetus of the market economy derives from competition; to compete there must be some rules. A unified tax law is precisely the rules. That is vitally important to ensure fair competition. This being the case, it is imperative to hold aloft the banner of administering taxation according to the law, and we should not turn taxation into a means of regional separation and protecting backwardness.

Regarding some new conditions and problems facing taxation work at present, Director Jin aired his views on administering taxation as follows:

First, regarding the authority of taxation administration, those aspects that should be centralized should be centralized effectively, and those that should be decentralized should be boldly decentralized. The general conception was to relegate most of the administrative power over those categories of taxes allowed the localities as their fixed revenues to the localities, linking it to implementation of the revenue-sharing system.

Second, taxation must be levied according to tax rates. Circulation tax, which is the main body in China's taxation, and an important lever in macroscopic regulation, should not be contracted. From the angle of transferring tax burden, circulation tax falls on the purchasers of commodities. If it is contracted, its role and function of regulating the economy will disappear, and the price structure will be bogged down in confusion.

Third, enterprise reform should not return to the old methods of tax reductions and concessions on profits. The key to doing a good job regarding large and medium-sized enterprises is to convert the enterprise operational mechanism and let enterprises in various categories unfold competition under fair conditions. Only by seeking survival and development in competition will it be possible for enterprises to be invincible.

To elevate the sense of paying taxes among all people is a strategic task; it involves a process of accumulation, and will not be completed overnight. This being the case,

we should unremittingly do a good job in propaganda work in taxation. That was what Director Jin Xin urged us to do as our interview concluded.

Commentary on Separate Government, Enterprise Functions

OW260812592 Beijing XINHUA Domestic Service
in Chinese 0737 GMT 26 Aug 92

[Unattributed "Commentary": "Give 100 Percent of Operation Rights to Enterprises"]

[Text] Beijing, 26 Aug (XINHUA)—The State Council Regulations on Transforming the Operating Mechanism of State-Owned Industrial Enterprises prescribe that state-owned enterprises should enjoy 14 independent operating rights. This shows that enterprise reform in our country has entered a new stage. The question now is how can we ensure that enterprises fully exercise their 14 independent operating rights.

First of all, we should fully understand the significance of implementing independent operating rights. Enabling enterprises to enjoy sufficient independent operating rights is the necessary condition for guaranteeing the transformation of their operating mechanism, and making them independent commodity producers and dealers responsible for their own profits and losses. Only with the right to make policy decisions regarding its production and operation, can an enterprise give play to its subjective initiative, promptly readjust the product mix in accordance with the law of value and market demands, and manufacture readily marketable products to suit market changes; only when an enterprise has the right to determine the price of its products can it participate in market competition on the basis of equality; only when an enterprise has the right to deal with the distribution of labor, personnel, wages, and bonuses, can it freely push forward the reform of its personnel, labor, and wage system, rely more effectively on the working class, and fully enhance the initiative of staff members and workers. It can be said that the success or failure of enterprise reform depends on the implementation of these 14 independent operating rights.

However, because of contradictions that have emerged during the transformation from an old system to a new one, and because of people's inability to adapt to change, it is not easy to implement them. Currently, it is necessary to pay attention to the following phenomena: Local authorities or departments are withholding the independent rights that the central authorities have delegated to enterprises; these rights are being transferred from one department to another; there has been wrangling among departments to serve the interests of cliques or to "fight the law" on their behalf. As a result, enterprises' independent rights have come to nothing. This requires that localities and departments heed the interests of the whole, set store by the success or failure of economic structural reform, and strictly abide by the Regulations.

In this sense, whether independent rights are truly implemented hinges on localities and departments.

To implement independent operating rights, government departments must correspondingly transform their functions. This means that while enterprises transform their operating mechanism, the government transforms its functions. These "transformations" should be carried out simultaneously to promote each other. It is necessary to separate the functions of government and enterprises. The government, as a department in charge of the management of the economy, should not restrict enterprises' micro economic activities. It should not interfere with their normal business operations and internal affairs. It should return the rights enterprises deserve to have. At the same time, the government should look after macroeconomics activities, formulate and implement state industrial policies, the balance between total demand and total supply, as well as the plans, coordination, supervision, service, and other work in connection with economic construction. To serve this purpose, government departments should carry out corresponding reforms. The shifting of government functions and the reform of government organs cannot be achieved overnight, but we cannot wait for it to happen, because we are accelerating the pace of reform and opening to the outside world. At present, we should achieve good results in delegating power, improving service and work style, and raising efficiency.

Because of the different conditions in various localities and enterprises, local authorities, departments, and trades and professions should work out their own measures for implementing independent operating rights in accordance with the principles of paying attention to unified planning, gradual implementation, guidance according to types of work, and efficiency. Such specific implementation measures must be based on the reality of the locality or the plant, and formalism and uniformity must be avoided.

Academic Discusses Socialist Market Economy

HK2608021292 Beijing LIAOWANG in Chinese No 31, 3 Aug 92 pp 6-7

["Interview" by staff reporter Dong Ruisheng (5516 3843 3932): "Zhong Pengrong From the Investigation and Study Office of the General Office of the CPC Central Committee Talks About Developing a Socialist Market Economy"]

[Text] [Dong Ruisheng] For a long time in the past, we have always regarded planning and market as the essential attributes for distinguishing socialism from capitalism. In his important talks during the trip to southern China, Comrade Deng Xiaoping pointed out: Both planning and market are economic means rather than essential differences between socialism and capitalism. How should we comprehend this exposition of Comrade Xiaoping's?

[Zhong Pengrong] First, we should have a correct understanding of the market, which is the outcome of commodity circulation. Where there are commodity production and commodity exchange, there will surely be a market. With the growth of commodity economy and the enhanced level of socialized production, the market plays an increasingly bigger role in socioeconomic development, and both production and economic development rely increasingly on the market. The market is not the monopoly of capitalism, nor does it belong exclusively to socialism. The market is where commodities are exchanged. It serves as an economic operation mechanism or economic means. It is not an indicator distinguishing socialism from capitalism. Here, economic means refers to the means of distributing social resources and promoting economic activities.

First, let us look at the means of distributing resources. Social resources include energy, raw material, foreign exchange, labor force, and so on. How are they distributed to all departments? How much will be used to produce bicycles, to produce sedans, to build power stations, and so on? There are two methods: The first is through unified distribution, i.e., planning departments assign quotas from one level to another to distribute limited production elements to various departments, localities, and enterprises; the second is through the fluctuations of market prices to distribute limited production elements to various departments, localities, and enterprises. In the latter case, some enterprises and individuals can afford to buy them, others cannot, and some can buy in large quantities and others in small. From here we can see that the so-called planning and market are nothing more than two methods of distributing social resources.

Now let us look at the means of promoting economic activities. For example, what should we do to make enterprises produce cars and peasants produce grain and, moreover, make them produce a certain number of cars and a certain quantity of grain? There are also two methods: The first is through government orders supplemented by various administrative measures to make enterprises and peasants fulfill production tasks in required quantities. This is called promoting by order. The other is promoting through benefits. This means that, if the society wants you to turn out a product, the market will let you get corresponding benefits by means of the product price; the greater the social demand for this product, the higher its price, and the greater the profit derived from the manufacture of this product. To get more benefit, enterprises and peasants will consciously turn out such products. We can see from here that planning and market are just to methods for encouraging people to engage in production activities.

Since the market is an economic means, it does not have attributes essential to a social system. It can integrate with either private ownership or public ownership. But there is a difference between them. That is to say, the socialist market economy involves relations among ownership by the whole people. Of course, there are also

relations between ownership by the whole and collective ownership, and between the former and foreign capitalism. But in the final analysis, it is socialist in nature and belongs to socialist countries. The fundamental aim of socialism in developing a market economy is to develop social productive forces, increase the state's economic strength, and more satisfactorily meet the people's growing needs for spiritual civilization, rather than make a small number of people get rich.

[Dong] According to your analysis, the planned economy and the market economy are different in methods of distributing resources and promoting economic activities. What features do the two economic operations have individually?

[Zhong] In my view, the essence of a highly centralized planned economy is the economy of officials, while that of the market economy is the economy of the masses. The features of economic operation are as follows: Under the highly centralized planned economic structure, it is government officials who collect and sort out information and make decisions on production and circulation, and the broad masses of the people, including the large numbers of factory directors and managers, act according to the decisions of officials. Under the market economic structure, however, the broad masses of the people are the main body to make economic decisions and collect and sort out information. In accordance with the information they get in economic activities, they decide what to produce, operate, and purchase, and in what quantity.

From the late 1950's to the time prior to the institution of reform, we practiced a highly centralized planned economic structure. In the years immediately following the founding of the People's Republic, by means of the planned economy we concentrated enormous financial and material resources and manpower to engage in state capital construction, especially heavy industrial construction, enabling China to develop an independent industrial system in a relatively short time and rapidly increase our defense capacity. This played an important part in building the socialist economy and enhancing China's international status. With the passage of time, China's economic activities grew in scale and variety. But the highly centralized planned economic structure, which was increasingly incompatible with the objective demand of economic growth, has hindered the development of productive forces, with the result that the state's economic strength grew slowly and the people's living standard fluctuated at a low level. Since the reform and opening up, the situation has been vastly different. Industrial and agricultural production has grown day by day and there is an ample supply of commodities. Now, if you have money, you can practically buy anything and there is a wide variety for you to choose from. Where do such plentiful articles come from? We rely on the role of market mechanism, which is an "invisible hand."

Because the planned economy is the officials' economy [guan yuan jing ji 1351 0765 4842 3444] and one promoted through orders, it is government officials who

decide what the society should produce and in what quantity. And, because this decision is implemented through orders from one level to another and is not linked with the interests of producers and operators, what is needed may not be included in the plan and what is not needed may be overstocked. In addition, the people's interests are not taken care of under such a structure. Although a production plan for a certain product in keeping with social demand has been relayed, it is difficult to fulfill it and hence to meet social demand because producers are not enthusiastic about it. Take agricultural production as an example. As the question of providing enough food and clothing has not been solved in the society as a whole, the peasants should have produced as much grain and cotton as possible. But because prices of farm produce are too low, peasant enthusiasm for production cannot be aroused and grain and cotton production cannot be boosted. The market economy, however, is the economy of the masses and one promoted by interest. Under such a structure, product prices are determined by the level of social demand. When society demands a product, the market will naturally give producers corresponding interests. In accordance with the principle of obtaining maximum interest, the vast numbers of commodity producers determine production direction and scope, and this, objectively speaking, enables social demand to be met to the largest extent. It is precisely through price fluctuation and interest adjustments that the market economy relays information on social demands and arouse people's production enthusiasm.

[Dong] According to your expositions, in conducting reform and developing the market economy, we should face and conform to reality on two basic issues, i.e., interest and information. What should we do to achieve this?

[Zhong] In my view, in developing the market economy, we should let the vast microeconomic activities be regulated by the market mechanism while the government and its plan are chiefly responsible for macroeconomic regulation and control. To be specific, the tasks of the government are as follows: Regulate price level and economic growth speed by controlling total money supply and total financial expenditure; regulate regional and industrial layouts for major production capacities through industrial policies and major investment activities; maintain normal market order by formulating and implementing market rules; regulate the income gap between enterprises and among individuals through such taxation means as income and regulatory tax; and guide and ensure the healthy growth of the national economy by exercising direct control over a small number of monopolistic trades and industries. The tasks of the market are as follows: Form prices of nonmonopolistic products and regulate transactions; distribute various production elements between departments, regions, and enterprises; and assess enterprise performance and rule on enterprise survival.

[Dong] Will you please discuss what fields of endeavor we should concentrate on grasping at the moment in order to lift restrictions on microeconomic activities and place them under market regulation?

[Zhong] To gradually make a steady transition from a double-track economy to a market economy, it is necessary to emphasize carrying out well the following three things:

First, further efforts should be made to reduce and even basically abolish mandatory planning. With regard to consumer goods, with the exception of preserving for the time being grain supplies for city and town residents as well as state listed grain prices, restrictions on the production, circulation, and prices of other products should be lifted. Mandatory production plans of and mandatory prices for all capital goods should be abolished. Enterprises may be asked to give priority to the supply of materials needed in state key construction, but the prices should follow market changes. To reduce shocks, abolition of mandatory planning for capital goods can be conducted in turn, with one or two groups of capital goods exempted from mandatory planning each year. With regard to labor wages, the state will chiefly use the lever of taxation to regulate total enterprise payroll and there is no need to issue mandatory planning. With regard to investment in capital construction, after accomplishing principal investment in profit-making projects, the government will turn to enterprises for other projects; the principal sources of fund will shift from loans to direct financing, and mandatory planning will be abolished.

Second, the examination and approval procedure and the number of official seals should be substantially reduced. To get something done, an enterprise needs between several dozen and several hundred official seals affixed to its application form. With so many examination and approval procedures and official seals, a market mechanism is out of the question! To reduce the examination and approval procedures and the number of official seals, it is necessary to streamline the administrative structure and change government functions.

Third, it is necessary to change the situation in which enterprises are responsible for profits but not for losses so that enterprises can be genuinely responsible for their own profits and losses. To achieve this, there should be three conditions: 1) Only when enterprises operate independently can they be responsible for their business performance, namely, profits and losses; 2) with the distribution between enterprises and the government being standardized, the government does not have to "whip the willing ox" when enterprises make profits, nor does it have to reduce taxes and make profit concessions, still less give subsidies, when enterprises incur losses; and 3) with enterprises having their own assets, they no longer follow the practice of "eating from the same big pot" in relations to state assets. Of the three conditions, by streamlining administrative structure and reducing the number of official seals, namely, abolishing mandatory planning, enterprises will be provided with the first

condition, i.e., being responsible for their profits and losses. To be provided with the second condition, it is necessary to turn the contract system into standardized separation of taxes and profits. That is to say, on the one hand, as manager of society, the state collects taxes from all enterprises and, no matter under what system of ownership the enterprises are, the tax categories and rates must be unified; on the other hand, as proprietor of state assets, the state should, according to the mode under which the assets are owned, join the enterprises in sharing bonuses (when the assets are held in the form of stocks) or collect bond interest from enterprises (when the assets are held in the form of bonds). To be provided with the third condition, it is necessary to conduct reform of the equity system.

[Dong] To do a good job of the three things, it is necessary to create a series of conditions. What do you think are the most important ones?

[Zhong] There are two most important conditions:

First, there must be a stable currency environment. Only when the currency is stable can people have peace of mind. To stabilize the currency, we have to do a good job in two aspects. On the one hand, it is necessary to restore inflation-proof savings deposits, accelerate reform of the housing system with the sale of housing as the main content, expand the issuance of stocks in a planned and systematic way, and further relax restrictions on the two-level market of finance and asset, including stock, bond, and foreign exchange markets. Given a fixed currency volume, we can separate currency in the material and commodity market and prevent inflation. On the other hand, it is necessary to control currency increases. At present, we should chiefly control deficits, credits given to specialized banks by central bank, and direct financing.

Second, there must be a relaxed employment environment. To develop a market economy, some institutions and enterprises will have to reduce personnel and some enterprises will probably be eliminated in competition. As a result, a large number of personnel will have to be resettled, making it necessary to establish a social unemployment security system [she hui dai ye bao zhang zhi du 4357 2585 1769 2814 0202 7140 0455 1653]. A fundamental way to do this is to turn these people into laborers earning their own living. To this end, we have to increase investment in projects which will provide the unemployed with work and create more job opportunities for them and, while maintaining social stability, make a smooth transition to a market economy.

QIUSHI on Application of Science, Technology

*HK1307053092 Beijing QIUSHI [SEEKING TRUTH]
in Chinese No 8, 16 Apr 92 pp 4-9*

[Article by Chen Changshu (7115 2490 2562): "Promote Transformation of Scientific and Technological Research Achievements Into Practical Productive Forces"]

[Text] It is an extensive and profound revolution of great strategic significance to uphold science and technology as the primary productive forces and turn economic building onto the track of reliance on the progress of science and technology and the improvement of the quality of laborers. We should acquire a profound understanding of science and technology as the primary productive forces, carry out serious study on how to enable science and technology to play the role of primary productive forces, and transform scientific and technological achievements into practical productive forces.

Imbalance Between the Progress of Science and Technology and Economic Growth

Science and technology are the primary productive forces. Modern science and technology play the most significant role of reform in the development of contemporary productive forces and social economy. We must give play to the role of science and technology to the fullest extent. We should note, however, that the conclusion that science and technology are the primary productive forces is a general one with focus on the social and economic functions of modern science and technology as a system. In this system, there are sciences and technologies which have been expressed in production and engineering activities and created economic benefits. There are also those which remain as research achievements at some stages and are yet to be popularized and applied in material production or practical projects. The latter, generally speaking, fall within the category of primary productive forces too. However, there must be a transformation process before they can be turned into practical or material productive forces and really become a practical force in pushing forward economic growth. The process is often a hard and complicated one. It is simple-minded to equate the progress of science and technology with economic development and scientific and technological achievements with practical productive forces.

Science and technology, as well as the levels of scientific and technology attained by a particular country can and should be examined from different perspectives. We refer to the science and technology that are achieved from research by scientists and inventors from research academies and institutes, universities and colleges or enterprise technological development departments. These sorts of achievements are in the form of scientific and technological theses, subject reports, invention patents, design formulas, and sample products and machines. They remain basically intellectual bearers of formation and material that have intellectual appraisal as the major goal. If a country has more and improved scientific and technological achievements of this sort, we certainly believe that it has a higher scientific and technological level. In most cases, it also has higher productivity and economic development. The United States and Germany rank first and third respectively in the world for the number of Nobel Prize recipients. By 1983, these two countries received, respectively, 76 and 36 Nobel prizes in physics and chemistry. There are also

more inventions of original technologies and higher economic development in these countries. Viewed from the general trend of historic development of mankind, the level of science and technology as well as production and economy improve in synchronized steps, supplementing each other.

However, at a given period and in a given country, the relation between scientific and technological level and production, the progress of science and technology and economic growth, are not necessarily a simple direct ratio. There are often considerable imbalances. Britain has quite a number of Nobel Prize recipients and by 1983, it had 44 prizes in physics and chemistry, ranking first in the world in terms of per capita number. Great Britain also ranks first in the world in the number of inventions of original technologies. However, its national economy failed to reach a comparable level during the last one hundred years, and per capital GNP ranked only 17th in the world. Japan, having fewer inventions of original technologies, had only four Nobel Prizes by 1983, but it is a big economic power.

People talk a lot about our country's scientific and technological level. Due to historical reasons in modern times, the country's current scientific and technological level is, frankly speaking, backward. Our country's economic development also lags behind. According to World Bank calculation of the price of foreign exchange, our country has a very low ranking in the world in terms of per capita GNP. But there are also comparable imbalances. If we look at it in terms of scientific and technological achievements, China's scientific and technological level is not backward, and in some areas, rather advanced. China's scientific and technological workers have produced a batch of outstanding research thesis. In 1990, foreign authoritative index tools (*Index of Scientific Treatise* and *Index of Engineering* of the United States) included a total of 12,352 thesis from our country. The number ranks 15th in the world. In many major international academic seminars, experts and professors from our country have demonstrated high talent in science and technology. In the fields of super conductivity study, biological macromolecular structural research, study of high-energy physics, and software research, our country has achieved world advanced levels. There are also quite a number of technological invention patents in our country, and they are of high quality too. In 1986, for the first time China participated in the Exhibition of International Inventions and New Technologies in Geneva. Eighty percent of the items it brought to the exhibition won prizes with six gold prizes, 11 gold-plated prizes, 16 silver prizes, and three bronze prizes. Of all participating countries, China won the most prizes. In 1989, for the first time China took part in the World Invention Exhibition in Paris, snapping up nine of the 11 gold prizes, four of 10 silver prizes, four of 10 bronze prizes, and three of eight special item prizes. In some engineering and technological fields where superior forces are concentrated and which require a high degree of creative talents (atomic bombs, hydrogen

bombs, missiles and astronautics, etc) our country has also made achievements which attract world attention.

How do the above-mentioned imbalances occur between scientific and technological levels and that of production and economy? To put it in simple terms, this is because scientific and technological achievements are one thing, and their application another. In other words, scientific and technological achievements are yet to be applied. Britain boasts a higher scientific and technological level, and due to the failure to apply them, its economic development is comparatively slow. While introducing foreign advanced scientific and technological achievements, Japan has achieved faster economic growth. One outstanding problem in our country at present is how to give wider and more effective application to scientific and technological achievements. According to statistics, at least 70 percent of scientific and technological achievements in our country still remain as "thesis technologies," "appraisal technologies," "patented technologies" and even "prize-winning technologies" that have not been used. In the other 30 percent, quite a large portion of them have failed to bring about expected economic benefits. According to a survey in Liaoning Province on items winning scientific and technological progress prizes from 1986 to 1988 (while belonging to the best in scientific and technological achievements, prize-winning items are selected under the condition that they have been used), of 340 prize-winning items in the industrial category, 125 (36.8 percent of the total) were used in products or sold as commodities by 1991; 115 items (33.8 percent of the total) failed to be applied due to a variety of difficulties.

Of course, it is unrealistic to expect all or the majority of scientific and technological achievements (including patents) to be applied to bring about economic benefits. Some scientific and technological achievements have far-reaching significance and academic value and will bring about social benefits. We should not take their usage in production or how much they can increase income as the criteria. But it is our urgent task to endeavor to improve the application rate of scientific and technological achievements, and make them turn out not only products and output values, but also commodities and benefits. Therefore, we should carry out popularization and application or "redevelopment" of scientific and technological achievements which we have created or introduced from abroad.

Translation of Scientific and Technological Achievements Into Practical Productive Forces Needs Transformation

Scientific and technological achievements which play their role in practical production originate from research results. Many research results may have important uses and bring good economic benefits. But they are not yet the practical forces embodied in material production activities before they are being popularized and applied. In this sense, the word "are" in the statement that "science and technology are productive forces" can be

understood only as transformation, and is identical with the meaning of transformation.

The reason that scientific and technological achievements must go through transformation before becoming practical productive forces is determined fundamentally by the following characteristics of science and technology which become practical productive forces:

1) They are practical industrial technologies. The most outstanding characteristic of science and technology as practical productive forces is their direct practicality. They are no longer the achievements at the hands of scientific inventors but science and technologies commanded and operated by engineers, technicians and technical workers in the production sector. They are incorporated into machinery equipment, assembly lines and operation methods, and provide material products and economic benefits. Technologies that play a practical role in the real production process can only be industrial technologies, and enterprise technologies.

Here, let us return to the question of the current scientific and technological level in our country. While the level of scientific and technological research achievements in our country is not high, it is not low either. The obvious backwardness concerns science and technology in practical production, and particularly, industrial and enterprise technologies that are related with mass production. Per capita GNP in our country is so low that it lags behind countries which have far fewer scientific and technological achievements than China. Apart from the factors of population, natural resources, and exchange rate calculation, the most important one is the backwardness of practical industrial technologies. Take Liaoning Province as an example. In 1987, less than 7 percent of major technical equipment of enterprises reached world advanced levels. About 17 percent of products were manufactured according to the technical requirements of international standards, and about 10 percent of products reached the world level of the 1980's (the proportion was 4.4 percent in machinery industry, and 14.8 percent in the textile industry). Of course, industrial technologies in some newly developed industrial regions are more advanced than those in Liaoning, and high-tech industries in our country have begun to make progress, and considerable progress has also been made in the technical reforms of traditional industries. But it is still an urgent and difficult task to fundamentally get rid off the backward industrial technologies in our country, and turn advanced scientific and technological achievements at home and from abroad into practical productive forces.

2) Science and technology embodied in the process of material production always exist as a system. Inside an enterprise, and between enterprises or different industries, the links in scientific and technological chains must match and link up as a whole. Perfection and reform of production techniques are the improvement or reformation of a technological system. When an item of scientific and technological achievement enters or is included in the

system of production, there must be other relevant links to match it before it can be transformed into practical productive forces. The electricity generator was invented in mid-19th century, but it was not until the early 20th century that it became an industry taking nearly half a century and the support of a series of other technological links such as lighting materials, transmission of electricity, power adaptors, and electric switches, enabling the invention of electricity generators to usher in a new electrical era.

Scientific and technological achievements entering the system of production is not easily attainable. Some achievements (such as some checking and testing means, and prevention and protection means) can be incorporated after some minor changes to the original system of production. Others (such as some means of prescriptions and control) can only enter the system of production after major alterations are made to the system. Some (such as new techniques, new equipment, and new technical processes) can be accepted only after making crucial alterations to the original production system, ending up with a new system. No matter what changes have to be made to the original production system, it is impossible to rely on a single item of scientific and technological achievement; other links need to match it.

The difficulties we encounter in popularizing and applying scientific and technological achievements are often the lack of matching. When an item of advanced scientific and technological achievement is blocked from entering the system, it is often because of the lack of relevant support, causing the so-called "bottleneck phenomenon." The technology to mold molten steel directly into steel products without waiting for it to cool down first is an established scientific and technological achievement, and quite a lot of research has also been done about it in our country. To apply this technology requires oxygen converters which, in turn, requires large-sized oxygen generators and other techniques to match with the process. In the Anshan Steel Complex, a large proportion of steel is produced using the open-hearth process (in 1985, 62.7 percent of steel output in Anshan was produced using the open-hearth process, which is already outdated and abandoned in developed countries). Under the circumstance, the smooth application of technology is difficult to realize. For the machinery processing industry in our country, the invention of precision cutting tools which can perform high speed cutting is, of course, an important scientific and technological achievement, as the proficiency and precision of this industry are generally regarded as 40 to 50 percent lower than the world advanced level. However, the application of precision cutting tools requires a supply of highly effective power, stable machine tools, and sensitive control equipment. Without any one of three, the new cutting tool will still linger outside the production system. It will continue to exist in the form of patent or sample products.

3) Science and technology as practical productive forces must be economical, and the costs of application and

profits they can bring about must be calculated. In scientific and technological research, people should also consider the economic factor. However, whether an item of scientific and technological achievement can establish itself depends not necessarily on if it is economical to use but rather how correct and accurate it is, whether it reflects objective laws, and whether it can realize material and power transformation in the natural world and information processing. Scientific and technological theses or patent instructions contain no economic accounting on application conditions, but they stress revelation of scientific truth and technical feasibility.

Actually, the fact that some scientific and technological achievements cannot enter the production system is due not to the lack of originality, but rather because the financial input for their application cannot be recovered and yield good results for a long time. Although there have been some scientific and technological achievements in abstracting gold from sea water, they will never become an industrial technology as the costs of abstracting one gram of gold exceeds its value no matter how miraculous the technology is. That some scientific and technological achievements in our country are not yet applied is precisely because the costs of application are too high to be recovered in a fixed time and to increase profits. While we are primarily concerned whether scientific and technological achievements are advanced, we emphasize that if the applications are economical and profitable, increasing product variety and improve quality necessary for good benefits. Of course, safety and convenience in application and operation should also be considered.

The above viewpoints are intended to describe the characteristics of science and technology as practical productive forces, and their difference from general scientific and technological achievements from the perspective of science and technology themselves (or from the perspective of the study of technology). In terms of the practical, systematic, and economical characteristics of industrial technologies, we can see that the changing of scientific and technological achievements into practical productive forces must go through a transformation.

Make Efforts To Create Conditions for the Use of Scientific and Technological Achievements in All Types of Enterprises

The use of scientific and technological achievements in all types of enterprises is possible only after they enter the production system to be transformed into industrial technologies and create economic benefits. Of course, the transformation of scientific and technological achievements into productive forces should base itself on the certainty that the achievements are correct, likely to be used, and meet the requirements of application. But the conditions for transformation lie not within, but outside scientific and technological achievements themselves, mainly social economic conditions. That new scientific and technological achievements need matching

means requires not only the cooperation of other scientific and technological links but support from all aspects of the social economic system and guarantees from the social economic structure.

1) We must have the vigor and ability to blaze new trails in enterprise technologies. Only when science and technology as practical productive forces take enterprises as the base, and enterprises are allowed to decide on their own production, participate in market competition, and be responsible for both profits and losses, will enterprises have the initiative to apply new scientific and technological achievements to make them become new products, new commodities, and new benefits. These kinds of enterprises will actively establish and step up technological development departments, actively increase financial input in technological development, actively initiate scientific and technological cooperation with research academies and institutes, universities and colleges, and actively seek market information to carry out technological reform.

2) We must have interim testing mechanisms. For the question of whether scientific and technological achievements can be used in enterprises in good time, we cannot seek answers from enterprises alone. An item of scientific and technological achievement normally takes laboratory tests or small scale simulation tests as the ground. It offers no complete solution to the question of whether or not it can be effectively used under actual production conditions, and must go through intermediate tests under production conditions (for instance, industrial tests). Except for a few large or super large enterprises which have the conditions for these kinds of tests, the majority of medium- and small-sized enterprises are unable to carry out intermediate tests. Therefore, it is necessary to establish a batch of intermediate tests bases—for instance, engineering research centers—we could depend on it to quicken the use of scientific and technological achievements in enterprises.

3) There must be high-risk financial input. Both discovery and application of scientific and technological achievements need funds. The application of scientific and technological achievements which are advanced and rational will normally yield rewards after a considerable length of time. However, the application of scientific and technological achievements cannot always bring about expected results. Interim tests may encounter setbacks. Even after being confirmed and consolidated by intermediate tests, the application of some scientific and technological achievements may still encounter risks due to various factors, including the change of markets. Thus, funds which may bring about benefits or suffer loss are needed. The question of high-risk funds to transform scientific and technological achievements into military combat power is comparatively easier to solve, and many advanced scientific and technological achievement are applied first in military. In order to promote the use of scientific and technological achievements in enterprises, there should be high-risk funds to promote

the use of new technologies in production. Generally speaking, risk funds can yield rewards.

4) There should be support from state policies. We refer mainly to policies concerning loans, personnel management, profits and taxes, commerce and foreign trade, enterprise technological reforms, equipment renewal and major repairs that are conducive to the application of scientific and technological achievements. Take the policy on personnel management, we should encourage those engaging in scientific and technological achievements to extend their efforts to the effective application of their achievements. We should also allow some people to focus on scientific and technological achievements while others focus on the application of those achievements. The two groups of people will get their respective benefits in wages, promotions, and titles.

Many things need to be done to create and improve these conditions. Doing it one by one is much more complicated than putting forward some unrealistic slogans. We must regard the conditions as a system, one which is bigger than the system of science and technology, and thus effectively promote the use of scientific and technological achievements in enterprises. During contact with a unit in our country, a foreign company unequivocally stated that they were willing to cooperate with the Chinese side on the use of scientific and technological achievements in enterprises. They also stated that there were three conditions: One is their understanding in terms of science and technology of which Chinese achievements (for instance patents) are genuinely original and advanced; two is the understanding of the markets for the application of these technologies, particularly sales trends in the international market; three is the availability of funds to be put into the production and application of scientific and technological achievements. We also possess the three conditions. We have many experts and professors in scientific research academies and institutes, universities and colleges who understand which achievements are really advanced. Commerce and foreign trade departments have some insights into markets situations, and banks have funds for loans. Regrettably, the three conditions cannot always be combined and possessed at the same time. They are often separated from each other. Many things need to be done to unify the conditions in order to let them play their roles in good time and effectively.

In order to promote the transformation of scientific and technological achievements into practical productive forces, departments in charge of scientific and technological work, production, and the economy at all levels need to undertake closer coordination, and consolidate leadership, research, and carrying out of the use of scientific and technological achievements in enterprises, and jointly create conditions to rely on the progress of science and technology to revitalize the economy. Close cooperation among these departments is an important organizational guarantee for the realization of the use of scientific and technological achievements in enterprises. If these departments are cut off from each other and even

argue back and forth with each other, then the science and technology that are the primary productive forces cannot be fully reflected in practice, and the combination of science and technology with the development of economy and society cannot be smoothly realized.

Scientific and technological workers in our country have outstanding creative talents, and have achieved greater progress since reform and opening up. With the improvement of large and medium enterprises and the development of rural economy, the use of scientific and technologic achievements in enterprises will surely be dynamic, and socialist China will surely be more prosperous and become stronger.

QIUSHI Article on Coordinating Enterprise Reform

HK2608093392 Beijing QIUSHI in Chinese No 12, 16 Jun 92 p 43

[Article by Chen Fei (1728 7378): "Dig Channels Before Letting Water Out"]

[Text] In the course of in-depth reform, many enterprises have become vigorous through adjusting their production structure and transforming their management mechanisms, but quite a few new problems have also appeared. One of the difficult questions that perplex some people is: How are redundant personnel to be dealt with after the adjustments?

Some people draw an analogy on this issue: If a pool is full of water, some water must be discharged. There may be two different methods of discharging water. One is to simply make a breach; and the other is first to dig a ditch before water is let out. Which is a better method? The answer is self-evident. Although the former is easier, it may cause endless trouble for the future. Probably, this will cause inundation or at least make the surrounding area wet and muddy and cause much difficulty to pedestrians. The latter is different, because water may flow along a channel and people may walk on a road. The situation will continue to be orderly, as everything moves regularly.

The relationship between "digging a ditch" and "letting out water" is plain. However, some enterprises did not properly handle this relationship. That is, they did not pay sufficient attention to the work of digging a ditch, or simply dodged this work for fear of difficulties.

For several decades, we tasted to the full the bitterness of the "big pot" and "iron rice bowl," and people have every reason to condemn such previous practice. However, things should also be analyzed concretely, and should not just stay in the stage of generally "smashing" the "pot" and the "bowl." The biggest defect of the "big pot" and "iron rice bowl" system lay in the fact that no difference was made between those who do a good job and those who do a bad job; no award was given to a good worker and no punishment was meted out to a bad worker; everyone received the same pay no matter

whether one works hard or stands idle or no matter whether one does a good job or a bad job. This went against the principle of more pay for those who do more work, made people lazy, dampened people's socialist enthusiasm, and hindered the development of productive forces. We must be resolved to overcome this defect. At present, many reform measures are aimed at solving this problem. This is a good trend. However, reform requires coordinated measures. In the course of correcting the defects of the "big pot" and "iron rice bowl," if we also "smash" the guarantees for the people's basic livelihood, this will be something like throwing out the baby with the bath water, and it is an senseless act. This is why we stress the need to pay attention to "digging the ditch before letting water out" when handling redundant personnel in the enterprises.

Some people, especially some enterprise leaders, were aware of this issue and did not deliberately deprive the workers of their livelihood. However, they exaggerated the difficulties and felt that they were in a helpless position in dealing with this issue. In fact, methods can eventually be found, and there are many "channels" for letting out water. Recently, the enterprises in the First Light Industry Department of Tianjin Municipality worked out 15 channels in one move. The measures they adopted included assigning redundant personnel to reinforce key posts, retrieving jobs contracted to outsiders, creating new jobs to coordinate internal operations, intensifying processing procedures, and utilizing waste materials. Thus, they effectively increased employment capacity within the same enterprises. Some of them also created new jobs through expanding tertiary operations, or joined hands with the general public in society to seek solutions.... In short, things all depend on human effort, and the road will be broadened if one makes efforts in advance. The establishment and improvement of a social labor insurance system as soon as possible requires our joint efforts from top to bottom.

PROVINCIAL

QIUSHI on Prosperous Shandong Enterprises

HK2608053892 Beijing QIUSHI in Chinese No 11, 1 Jun 92 pp 39-43

[Article by Shandong Academy of Social Sciences: "Why These Enterprises Flourish—Survey of 10 Grade-One Enterprises in Shandong"]

[Text] Of the 133 national level grade-one enterprises throughout the country, 10 are located in Shandong. They include the Shandong Chemical Plant, Jinan First Machine Tool Plant, Shandong Xinhua Pharmaceutical Plant, Second Chemical Fertilizer Plant and Rubber Factory under the Qilu Petrochemical Corporation, Langchao Electronic Information and Industrial Group, Qingdao Refrigerator Factory, Laiyang Power Machine Plant, Yantai Freezer Plant, and First Weihai Carpet Factory. These are all large enterprises from seven

trades. Besides the First Weihai Carpet Factory and the Qingdao Refrigerator Plant, the others are all state-owned enterprises.

I. Basic Conditions

These enterprises have the following features in common:

Product quality is up to standard. These enterprises have some 20 varieties of products which have won state level gold and silver awards. Their leading products have all won the title of "national fine quality products" and have reached the world levels of the 1980's. The rate of fine quality products has exceeded 80 percent on average. Of this, the "Qindao—Libohaier" refrigerators produced by the Qingdao Refrigerator Factory won the honorary title of one of China's 10 famous brands in 1991 and the products were recognized by the authoritative organizations of many countries. The First Weihai Carpet Factory is an enterprise whose export products are free from inspection and whose handmade carpets have won many international gold awards. Products of the Second Chemical Plant of the Qilu Petrochemical Corporation reached the following standards: Products delivered from the plant were 100 percent up to the standards; five leading products were 100 percent of fine quality; the plant adopted international standards 100 percent; and they reached world advanced levels 100 percent.

In 1990 when the products were in short supply and the market nationwide was slumping, most of the products of these enterprises sold well in the market, were in short supply, and there was no overstock problem. Income from sales of these 10 enterprises increased steadily over the past two years, the lowest being 10 percent while the highest was 54 percent.

Economic efficiency was remarkable. Through two assessments in 1989 and 1990, the major economic efficiency indices of the 10 enterprises ranked ahead of the similar trades nationwide. The all-personnel labor productivity, per capita tax rate, and capital profit and tax rates, the three indices which were the focus of the assessment, were all higher than levels of the ministerial level grade-one enterprises. The three indices of the Shandong Chemical Plant were respectively 60 percent, 80 percent, and 64 percent higher than the ministerial level grade-one enterprises. The all-personnel labor productivity and per capita profit and tax rates were 380 percent and 400 percent respectively higher than the ministerial level grade-one enterprises. Profits and taxes delivered by these 10 enterprises were 280 percent higher than the average level of Shandong's industrial enterprises, and the cost of comparable products dropped by more than 6.8 percentage points.

The situation of capital operation was good. According to incomplete statistics, by the end of the first half of 1991, total debt of these enterprises accounted for only 70 percent of their total credit and the turnover of their working capital was quicker than the similar trade.

Capital turnover of the Shandong Xinhua Pharmaceutical Factory was 50 days while that of the trade during the same period was 100 days. Capital turnover of the Yantai Freezer Plant during the same period was 131 days while that of the trade was 270 days.

II. Successful Experience

These enterprises could score such marked successes under the circumstances of a very difficult external environment and a considerable number of large and medium enterprises lacking vitality. Their secret can be summed up in the following two points. First, upholding reform, consciously effecting a change of enterprise operation mechanism in advance, and meeting the objective needs of the development of a planned commodity economy. Second, giving full play to their advantages in qualified personnel, technology, management, and ideological work. By applying them to enterprise technological progress, product development, and strict management, they improved the overall qualities of all staff members and acquired tough skills. The organic combination of the two and their interaction enabled them to be in the vanguard, handling a situation with ease under the drastic changes of the external environment. Specifically speaking, their successful experience can be summed up in the following four fields:

First, consciously effecting a change in enterprise operation mechanism to meet the needs of the development of a planned commodity economy. With the deepening of reform, China's highly centralized economic management means will gradually change toward a new mechanism in which a planned economy is integrated with market regulation. In the face of such a change, instead of dealing with it in a passive way, these enterprises vigorously forged ahead, consciously changed their concepts and strategy, made strenuous efforts to effect a change in enterprise operation mechanism, and made a series of fruitful explorations.

In the organizational system, they took the road of mergers and group operation. Of the 10 enterprises, five carried out group operations through mergers or combinations while another two developed joint ventures with foreign firms. Apart from taking three big steps in technical transformation over the past decade, the Jinan No. 1 Machine Tool Plant also took three big steps in transforming its organizational system: The plant jointly established the Jinan Machine Tool Corporation in April 1980; the plant jointly established a machine tool operation company with more than 40 enterprises from eight provinces and cities in 1984; and a "White Horse Group" was set up in 1987. The change in organizational system brought about the effects of optimization of distribution of essential production factors, an increase in efficiency of scale, and an increase in market competitiveness.

In labor and personnel systems, they practiced the system of optimizing labor combinations and employing

cadres. Staff members and workers had to be competitive to take up a post. There were also qualitative assessments to check political integrity, ability, and achievements. Cadres disqualified on numerous occasions were not employed. While assessing cadres above the middle level, the Qingdao Refrigerator Factory practiced the red and yellow signboard system and veto system for key items. Those who performed well in the monthly assessment were awarded and their names were put on the red signboard. Those who performed poorly had their names put on the yellow signboard, and they were criticized in public. There was also a monthly assessment on some key items for every person. If the key items are rejected, the unit and the person in charge are deprived of the month's bonus. The factory also implemented the wage system linked to post and skill. Workers' wages were determined by the skill required at the post and labor achievements. Integrating assessment with employment, labor with reward, and responsibility with rights, these measures effectively aroused the enthusiasm of staff members and workers for production and operation.

Thanks to the introduction of a market mechanism in internal management, all enterprises established the internal banking and strict settlement system. The economic contacts between the departments, workshops, and groups within an enterprise turned from materials to capital and from gratuitous allocation to exchange at equal value. The Laiyang Power Machine Plant implemented the "internal market formation management method," that is, with economic responsibility as the main line, checking and ratifying the two base figures of output and costs of workshops and rewarding those who have practiced economy and overfulfilled production quotas. Reward or punishment is meted out against offices in light of the qualitative assessment of their functions. Settlement and exchange are carried out by depending on internal banks. Loans not exceeding the ceiling are used for funds. Those using more loans will have to pay higher interest rates. An internal claim damage system is implemented to enhance responsibility and restraint.

In the sale of products, they comprehensively applied commercial advertisements, set up sales networks and special sales teams, strengthened after-sales services, and adopted the flexible means of preferential prices, reduction, and low prices to develop the market. The trade mark of "Qindao—Libohaier" refrigerator is known at home and abroad and the product has won a high reputation. Instead of reducing prices, the factory put the stress on quality and offered satisfactory after-sales services. As there is a slack and a busy season for the sales of diesel engines manufactured by the Laiyang Power Machine Plant, they adopted the means of a seasonal price difference and reduction to promote sales during the slack season. Competition between the pharmaceutical factories was sharp and the prices of medicine rose. The Shandong Xinhua Pharmaceutical Plant made use of its management advantages and efficiency of scale to

sell their medicine at small profit with quick turnover. By ensuring supply in large quantities, their medicine occupied a larger portion in the market. However, the Langchao Group enhanced publicity through advertisement, a sales network, and after-sale services. To date, the group has more than 140 sales agents in Shandong and other parts of the country, who form a market development system composed of sales, maintenance, training, and software development.

Second, speeding up technological progress, continuing to develop products and readjust the structure, and increasing the enterprises' adaptability to the market. Adhering to the guiding ideology of "science and technology constitute the primary productive force," these enterprises did not merely give consideration to immediate interests or pursue output value, growth, and incomes when they were in a better shape over the last few years. Instead, they vigorously promoted technological progress and continuously developed new products and readjusted the product mix. With scientific research as the guide and development of new products as the central task of technological progress, they promoted all-round progress of technique, processing, assembly, and quality and management control technology, and integrated scientific research with production and development. In the course of product development and structural readjustment, they adopted the forms of adaptable development and readjustment and substitution development and readjustment as well as integration of the two to ensure advancement of enterprise technology and products, adaptability of products, structure, and market demand, and to gain the initiative. Since 1980, the Jinan No. 1 Machine Tool Plant has taken three major steps in technological progress: First, they transformed basic techniques, cooperated with the Japanese Mazak Corporation, introduced new techniques and technology, and became a model of the Electric Mechanical Ministry. Second, they improved the means of production, invited Japanese experts to participate in processing diagnosis, introduced trunk processing equipment, and became a modern processing center. Third, they developed block assembly technology, invested 12 million yuan to build a first rate digital control workshop, and jointly designed and manufactured digital series machine tools with Japan and the United States. Now the plant is taking the fourth step, that is, transforming management control technology and enforcing the CIMS/863 project. Through technological progress within a short period of 10 years, the plant developed from producing C616 machine tools in the past to manufacturing Mazak series machine tools and digital control series machine tools. The developed 11 series of products with over 80 varieties and more than 280 specifications. Foreign exchange earned from exports increased from \$95,000 in 1980 to \$20.96 million in 1990, the amount of foreign exchange earned accounting for two-thirds of the machine tool trades nationwide.

Third, stepping up basic work and strengthening strict management. The 10 grade-one level enterprises had one

thing in common in management, that is, firmly grasping basic work, strictly and meticulously exercising management, integrating target management with basic and special management, and developing a scientific management system.

Giving prominence to the central role of target management, maintaining an overall balance of the enterprise annual development plan and the contract quotas assigned by the higher levels, formulating a level by level, enterprises carried out other management work focused on this center. The rubber factory under the Qilu Petrochemical Corporation further divided the enterprise target into the following three levels: Target ensuring the plans, fighting target, and risk target. The factory also enhanced the incentive effect of target management and tapped latent enterprise potentials. Through the appraisal of factory targets carried out earlier in the year, diagnosis and assessment of fulfillment of the target in the middle of the year, and summary and citation activities at the end of the year, the Shandong Xinhua Pharmaceutical Plant optimized the target management mechanism and further enhanced the incentive, control, and restraint mechanisms of the enterprise.

Establishing a fully standardized basic management system. First, paying attention to institutional building. Since 1986, the Shandong Chemical Plant has gone all out to practice standardized management. By upholding the principle of "relying on law to rule the factory," they have established an all-directional standardized management system which includes 1,181 technological standards, 210 quality control standards, 580 work standards, and 210 management standards. Second, paying attention to implementation of institutions, which is focused on grass-roots levels, groups, and work site. In the words of the factory director, "it will not work if you grasp management without the grass-roots levels, grasp grass-roots levels without the groups, and grasp groups without the work site." With the general rules for group management, post standardized decomposition chart, and fixed management chart as the basic requirements for on-the-spot management, the Shandong Xinhua Pharmaceutical Plant integrated time array operations and certain set management techniques with the post as a unit, optimized the combination of essential factors, and increased work efficiency. Third, grasping assessment. In light of management objectives and regulations, enterprises regularly conducted qualitative assessment of sections, workshops, groups, and individuals, and meted out rewards and punishment based on the assessment. Some even saved the data in their computer system to serve as the ground for settling workers' wage increases, housing, and other problems in the future.

Pursuing high level specialized management based on comprehensive quality control; based on quality, bringing along even development of specialized development in technique, equipment, security, material consumption, information, fixing, labor discipline, and other fields, and increasing efficiency on the basis of

better quality. In the field of quality control, the Qingdao Refrigerator Factory implemented the principle of "constantly criticizing itself, improving management, and seeking perfection." When the factory discovered in 1985 that 76 refrigerators were not up to standard, the person in charge was instructed to destroy all the inferior products in front of the masses. When their products won an international bid for the first time in 1987, the factory held an "exhibition of inferior products." When their products won the gold medal for the best national product in 1988, the factory held a meeting to "judge problems and find the gap," and set a higher target of making their products famous in the world. In this way, they ensured the quality of products which sold well and were well-received by the customers.

Fourth, giving full play to political advantages and building a firm and united "body and two ranks." A survey indicated that most factory directors and party secretaries positions of these enterprises were assumed by different persons. However, they did a good job of unity and cooperation. How did they do so? Their reply was: "We relied first on institutional guarantees and then on the guarantee of party spirit. When the institution is not perfect and policies are changeable, it is particularly necessary to rely on party spirit." "The center and nucleus should be based on public interests and be responsible to the people so that the center, nucleus, and popular feeling are linked together." As the principal leaders were united and had a dedicated and pioneering spirit, the enterprise leading bodies had combat effectiveness, which offered a reliable guarantee for the smooth progress of work in all fields.

The ranks of party members and workers constitute the task these 10 enterprises has firmly grasped over the years. They insisted on strictly administering the party, paid close attention to ideological building, and extensively applied the means of establishing party building responsibility areas, party member responsibility areas, party member observation cards, and taking part in political activities and democratic appraisal on the days marking their party admission, which enabled party members to give full play to their exemplary role. At the same time, they strengthened ideological and political work among workers, integrated material incentives with spiritual encouragement, extensively carried out various forms of mass activities which continuously improved the political and vocational qualities of staff members. The second chemical fertilizer plant of the Qilu Petrochemical Corporation divided enterprise ideological and political work into the following three categories: High level problems related to ideals and faith were settled through systematic study and training; middle level problems concerning objectives, principles, and internal policy readjustment were settled through studying documents, holding special mobilization meetings, and two-way dialogues; and lower level problems of mood and coordination were settled through discussion. In this

way, the plant promptly resolved the ideological problems of staff members and workers, enabled workers to keep their vigor and enthusiasm, and promoted enterprise production.

The survey also indicated that these enterprises were good at handling relations between humans and materials, leaders and those being led, and the masters and servants. They fully respected the status and rights of workers being masters of their own affairs and fully performed the functions of democratic management of the workers' congress. The major issues concerning enterprise development and workers' benefits were deliberated and determined at the workers' congress, which developed into a strong cohesive force.

III. Some Enlightenment

First, socialist public enterprises can be run well. The fact that Shandong's 10 grade-one enterprises made great successes in operation through effecting a change in mechanisms and enhancing internal strength teaches us: So long as the party and government leadership is firm and united and is in good spirits, the enthusiasm and creativity of the workers and staff members are fully aroused, reform is upheld, the road is correct, and work is properly done, the large and medium state enterprises can be run well, and the vigor and vitality of the public economy can be maintained and developed. The view that the "state owned enterprises are inferior to the collective ones and the collective ones are inferior to the individual and private ones" does not hold water.

China's public enterprises were established to meet the needs of socialized mass production. Therefore, they are suited to the development of productive forces. The public ownership of the means of production has enabled workers to free themselves from the status of hired labor, which is conducive to making the most of the enthusiasm and creativity of laborers. Generally speaking, state owned enterprises have sound equipment, technology, and management with good quality workers. In addition, the deepened reform and opening up have gradually eradicated factors hindering production development. Fundamentally speaking, there are conditions for invigorating state enterprises. Viewed from practical circumstances, most of China's large and medium enterprises are properly run. The 135 grade-one enterprises nationwide which include the 10 in Shandong and the 4,078 grade-two enterprises are the outstanding representatives. Whatever they have achieved can also be achieved by other public enterprises through arduous efforts.

Because of a lack of vitality, the efficiency of some large and medium state enterprises has dropped. There are two reasons for this: First, the external one. Relations between the state and enterprises are not straightened out, enterprises do not have the conditions for independent operation and assumption of sole responsibility for profit and loss, which has restricted the initiative of enterprises. Second, the internal one, referring mainly to

poor enterprise operation and management, a lack of adaptability to the changes in the market and other fields, and some irrational economic systems such as egalitarianism and everyone eating from the big pot. So long as we deepen reform, open up wider to the outside world, make production relations suit the development of productive forces, and strengthen internal enterprise operation and management, these problems can be settled and state enterprises can be properly run.

Second, the key to running large and medium state enterprises well lies in enterprises focusing attention within and basing themselves on self-reliance. In their development, large and medium state enterprises encounter contradictions, difficulties, and also opportunities. Whether enterprises can seize the opportunities and seek development lies in understanding, grasping, and arousing the enthusiastic factors within enterprises and giving full play to their dynamic role. There is a lot that can be done in this regard. Viewed from the experience of these 10 enterprises, it is necessary first to handle the following two relations in understanding and practice. First, the relations between making the most of the advantages and developing the advantages. Under the traditional system, large and medium enterprises had internal technological, personnel, and management advantages and external capital, raw materials, and market advantages. As they were in a superior position, they did not face any competition. With the deepening of reform, the rise of township enterprises and the three kinds of foreign-funded enterprises, and competition, large and medium state enterprises no longer had capital, raw material, and market advantages. What should be done? The only way out was to reform the original means of operation, effect a change in concepts, focus attention within, upgrade technology and products, strengthen and improve management, and break a new path. Second, properly handle relations between change and constancy. Under the conditions of a planned commodity economy, enterprises are in a dynamic economic environment, where policies are undergoing continuous readjustment and enterprises are required to change themselves to adapt to outside changes rather than stick to old convention. However, there is one thing which cannot change, that is, focusing attention within and basing themselves on self-reliance. In this way, the leaders will be in good spirits, the staff members and workers will share weal and woe with enterprises and work hard, there will be motive power and means for technical transformation and product development, enterprises will be able to have control over the ever changing objective environment with tough qualities, work, and products, calmly deal with the changes, and seek development amid change and constancy.

Third, to invigorate large and medium state enterprises, it is necessary to help enterprises promptly settle their problems. As the public economy has internal advantages and because of the successful examples of Shandong's 10 grade-one enterprises, we are full of confidence in further invigorating large and medium state enterprises. Nevertheless, we should not in the slightest degree neglect

existing problems. A survey shows that there are a number of problems in large and medium state enterprises. Even in these successful enterprises, development of internal work is also uneven. Some have focused on blazing new trails but there are still weak links in their basic management work; and there is still room for improvement in applying the market mechanism and optimizing internal management. Meanwhile, many unfavorable external conditions have seriously conditioned the development of these enterprises. For example, the drastic fluctuations in the Yantai Freezer Plant over the past two years were mainly due to market fluctuations. The recent slow growth in the Weihai Carpet Factory's economic efficiency is related to the irrational prices, policies, and foreign trade operation system. The enterprises are still afflicted with "debt chains," and they also find it difficult to dispose of their burden. Some of the decisionmaking powers of enterprises are not implemented. Some powers are delegated, such as the right to fire workers who break discipline. But the operators dare not use such right as there is a lack of social guarantee for his personal safety. All this involves various fields including enterprises, government, departments, and society. Viewed from the nature of the problem, it is related to macroeconomic management, structure, and policy as well as imperfect regulations and violation of laws. To solve these problems, it is necessary to deepen reform, improve internal enterprise operation and management; rely on the legal system and education as well as a turn for the better in party style and social mood, which is a very complicated and difficult social engineering project. Unless these problems are settled, they will seriously hinder the progress of large and medium state enterprises. Therefore, it is necessary to draw great attention and adopt effective measures to settle these problems.

Guiyang Mayor Interviewed on Province's Opening Up

*OW2608103592 Beijing XINHUA in English
1022 GMT 26 Aug 92*

[Text] Guiyang, August 26 (XINHUA)—Guiyang, capital of inland Guizhou Province is to speed up its opening to the outside world by taking advantage of its resources and the economic and technological forces of a number of military industrial bases.

Liu Yejiang, mayor of Guiyang City, in an interview with XINHUA, stressed that this will be the "last chance" for the city's development.

In China's wave of opening to the outside world in the past years, a number of inland provincial capitals have fallen far behind coastal areas.

The situation has aroused the attention of the central government. It has made some major concessions and earlier this month offered 11 provincial capitals preferential policies similar to those implemented in China's coastal areas. Guiyang was among them.

The limits for foreign economic cooperation will be relaxed in the inland cities and there will be support for the upgrading of outdated enterprises by the introduction of advanced foreign technology and management. The nation will also encourage development of modern agriculture. Sino-foreign joint ventures will enjoy preferential policies. After a period of time, the cities could open economic and technological development zones approved by the State Council.

According to Liu Yejiang, Guiyang has advantages in attracting foreign investment. Guizhou Province abounds in resources of minerals, energy, biology and tourism. The province also has a number of military industrial bases in electronics, aviation and space industry.

In recent years, Guiyang City has put large sums into infrastructural construction and the investment environment has been greatly improved.

It has become the hub of rail communications in southwestern part of China. Cargo capacity has increased several times in the past few years.

Following the opening of southwest China's first highway specially built for automobiles and linking Guiyang with Huangguoshu, the scenic spot famous for China's largest waterfall, construction has started on a 146-kilometer highway from Guiyang to Zunyi. In addition highways linking Guiyang with Chongqing and Liuzhou are to be built soon. All will be completed by the mid 1990s.

Guiyang has 21 air routes to major cities. The tourism charter services to Hong Kong will start in September. The construction of an international airport has been started with the investment of 600 million yuan. The airport is expected to be operational by the end of 1990s and will be capable of handling Boeing 747 jets.

Market Price Rises Reported in Guangdong

*OW2508082192 Beijing XINHUA in English
0738 GMT 25 Aug 92*

[Text] Guangzhou, August 25 (XINHUA)—The past seven months of this year witnessed a gentle rise in the market prices in Guangdong Province following a relatively stable trend for two years.

But economists said that the general price index will not exceed 10 percent this year.

Guangdong, which leads the country in its reform and open policy, is China's most prosperous province.

Its general index of retail prices in the first seven months of this year went up by five percent over the same period of last year. Included was the index of prices for employees' living expenses, which went up by 8.5 percent.

Economists here attribute the gentle rise of prices this year to the ample market supply of goods and people across the province paying more attention to purchasing bonds, stocks and housing.

FINANCE, BANKING

Commentary on Financial Support for High-Technology

92CE0592A Beijing JINRONG SHIBAO in Chinese
13 Jul 92 p 1

[Commentary: "Financial Circles Must Support High-Tech Industries"]

[Text] Investing in science and technology to actively support the development of high-tech industries, and to support the commercialization, internationalization, and industrialization of scientific and technical results is a new mission confronting financial departments. The way Yunnan Province set up the Kunming S&T Industrial City Credit Agency to vigorously help the development of private S&T enterprises and hi-tech industries is worth learning from.

Revolution is to liberate productive forces; similarly, reform and opening-up also liberates productive forces to create increasing wealth of material culture, and to constantly satisfy the increasing demand of the masses for material culture. Science and technology is the primary force of productivity, this scientific inference put forward by Deng Xiaoping has become the common knowledge of the whole nation. Following the rise of the new technological revolution worldwide, the cycle of transforming scientific and technical results into commercial products has become shorter and shorter, and hi-tech has become an important factor in economic growth. To accelerate the development of hi-tech industries is a path we have to follow to reduce the gap between the developed countries of the world, improve the competitiveness of our products in the international market, raise economic efficiency, and strengthen the nation and enrich the people. For this reason, financial departments must enhance their consciousness of modern science and technology, and make supporting hi-tech industries and hi-tech industry development zones their own unshirkable duty.

It should be noticed that hi-tech industries are a product of the modern world; the 27 hi-tech industry development zones set up in our country are nascent things emerging in the recent reform and opening-up; the commercialization, internationalization and industrialization of scientific and technical results are slogans put forward in recent years, and our recognition of S&T as the primary productive force has not yet reached the high degree it deserves. Therefore, comrades in financial departments, especially leading comrades, must enhance the recognition of the strategic role of hi-technology and hi-tech industries in promoting economic development, and put them in the right place and resolutely support

them. Furthermore, finances to support hi-tech industries is consistent with the objective of raising operational efficiency of capital. If, for example, labor productivity in the natural economic industry is one, then the output value of traditional industry is 10 times, and the labor productivity of hi-tech industry is 100 times that of the natural economic industry. According to incomplete statistics, in the 27 hi-tech industry development zones established at various times with State Council approval, the 3,400 enterprises that started production in 1991 had total annual sales exceeding 10 billion yuan, and quite a number of products entered the international market. Practice has shown that the social and economic benefits of hi-tech industries are all rather good. Financial departments that put limited credit funds into hi-tech industries generally get twice the result with half the effort. Efficiency at hi-tech industries is good, and loans can be repaid to the banks on time. This is favorable to form a good cycle of bank credit funds.

Of course, there is certain risk in supporting hi-tech industries. While supporting hi-tech industries, financial departments must make use of the advantages of fast intelligence and wide connections of banks to earnestly select projects to support, to help those which accord with the industrial policy of the state, are competitive on the domestic market and especially on the international market and have good economic and social benefits so that they can be quickly completed and put into operation to generate benefits. In this connection, insurance companies may also start some new types of insurance, and provide good services to protect the development of hi-tech industries.

To promote commercialization of hi-tech by using the leverage of credit loans is significant work that we must do. At present, many scientific and technical results are still confined to certain universities, colleges and research institutes, and have not yet been converted into commercial products or transformed into productive force. For our economy to fly high, we must draw support from commercialization, internationalization and industrialization of hi-technology. This is a brand new domain; and a new task for financial departments; consequently financial departments have a great deal to do.

First Foreign-Funded Bank Set Up in Shantou

HK2207085192 Beijing RENMIN RIBAO in Chinese
5 Jul 92 p 2

[Dispatch by reporter Jiang Yaping (5592 0068 1627): "First Foreign-Funded Bank Set Up in Guangdong's Shantou Special Economic Zone"]

[Text] Upon the formal approval of the People's Bank of China, a "Thai-Chinese International Bank" was established in the Shantou Special Economic Zone 26 June. On 28 June, the State Administration for Industry and Commerce also issued a business license to the bank

after examining the bank's capital. This is the first headquarters of a wholly foreign-funded bank ever set up in China.

Located in the Rose Garden Building, Jinhua Road, Shantou City, Guangdong Province, the Thai-Chinese International Bank is jointly run by Thailand's Bright Thai Group [ming tai ji tuan 2494 3141 7162 0957] and Thai Soldiers' Bank, with a registered capital of over \$20 million. According to the People's Bank of China instructions, the bank can carry out all kinds of banking business except those in renminbi. Bank Director Mr. Li Ching-ho has been engaged in friendly activities between China and Thailand for many years, and is now chairman of the Chamber of Commerce for Promoting Thai-Chinese Investment and Trade.

INDUSTRY

Chemical Industry Minister Outlines Reform Measures

OW2408181392 Beijing XINHUA Domestic Service in Chinese 1138 GMT 24 Aug 92

[By RENMIN RIBAO reporter Wang Yantian (3769 1750 3944) and XINHUA reporter Yang Like (2799 3810 4430)]

[Text] Beijing, 24 August (XINHUA)—Gu Xiulian, minister of the chemical industry, has called for an all-directional opening to the outside world to facilitate a new export-oriented economic structure in the chemical industry.

She made the above call at a national work meeting on opening the chemical industry to the outside world, which was held in Beijing today. She has outlined the following main targets in opening the chemical industry to the outside world before the end of this century:

Exportation of chemical industrial products should increase by 15 percent annually to exceed \$10 billion in the year 2000; 100 highly qualified groups of export-oriented chemical industrial enterprises should be set up for competing in the international market, most large and medium-sized chemical industrial enterprises should have international market access, and all major sectors of the industry should reach the international technical level of the 1980's; and foreign capital absorbed by the entire industry should exceed \$10 billion, while the net increase of the value of production by chemical industrial enterprises in the special economic zones, the three open coastal regions, and the high and new technology development zones should top the average growth rate of the chemical industry.

To realize the above-mentioned targets, the Chemical Industry Ministry has decided to adopt a variety of measures:

Emancipating the mind and changing mindsets for increasing awareness of opening to the outside world; persisting in integrating the industry with technology

and foreign trade and in adopting diversified management methods for continually increasing chemical industrial exports; boldly utilizing foreign capital and advanced technology for accelerating the development of the chemical industry; promoting an export-oriented new economic structure through fully utilizing the special economic zones, the three coastal economic open regions, and the high and new technology development zones; going all out to increase international scientific and technology cooperation and exchanges for raising the scientific and technology level of the chemical industry; speeding up transforming the management mechanisms of enterprises for building up their capability to compete in markets; stepping up efforts to train talented personnel and improve the quality of personnel engaged in foreign trade; and changing administrative functions and strengthening leadership and services in opening the chemical industry to the outside world.

LABOR

Labor Productivity Statistics for May

HK2108110292 Beijing CEI Database in English 21 Aug 92

[Text] Beijing (CEI)—Following is a list showing the labor productivity of China's state-owned enterprises with independent accounting in May 1992, released by the State Statistical Bureau:

	unit	5/92	5/91
Industry including:	yuan/ person	2074	2936
light ind.	yuan/ person	3335	3586
heavy ind.	yuan/ person	2881	2603

Following is a list showing the substantial labor productivity of some of China's major industries in May 1992, released by the State Statistical Bureau:

Industry	unit	5/92	5/91
1.coal ind.			
a. extraction	t/wd	6.679	6.175
b. mining	m/wd	0.135	0.119
2.metallurgical ind.			
a.iron-smelting	t/p	143	128
b.open-hearth steel-smelting	t/p	53	47
c.electric steelmaking	t/p	19	18
3.textile ind.			
a. yarn	wd/t	30.30	30.77
b. cloth	wd/ 10,000m	98.11	99.32
4.paper making ind.	t/p	2.03	1.91

note: t;ton, wd;work day, m;meter, p;person

POPULATION

Statistics Bureau Reports on Urban Population Growth

*OW2608132792 Beijing XINHUA in English
1228 GMT 26 Aug 92*

[Text] Beijing, August 26 (XINHUA)—The population of Chinese cities and towns is expanding at an annual rate of 4.35 percent. By the year 2000 the urban population is expected to account for about 35.7 percent of the country's total.

According to a report released by the State Statistics Bureau here today, of the predicted population of 1.294 billion in the year 2000, 462 million or 35.7 percent will live in cities or towns.

The prediction is based on analysis of the fourth national census conducted in 1990, which shows a tendency toward rapid urbanization during the 1982-1990 period.

According to the report, China had a population of over 1.13 billion in 1990, of which about 26.2 percent or 296 million lived in cities and towns, the other 834-odd million live in rural areas.

The report said the number of city dwellers increased by 5.28 percentage points between 1982 and 1980 at an annual rate of 4.35 percent, while the 1949-1981 period saw the urban population rise only by 9.7 percentage points. The annual growth rate during that period stood at 3.99 percent.

However, the pace of urbanization of population in China remains slow compared with the other developing countries, let alone the world average, said an official with the statistics bureau.

The current rate of 26.2 percent in China is lower than the average 29 percent for developing countries in 1982. The world average in that year was 42.2 percent.

At present, Liaoning Province in northeast China boasts the highest urban population rate, with 51.2 percent of its people living in cities and towns. Tibet represents the lowest, with only 11.52 percent.

In provinces and regions where about 30 to 40 percent of population live in cities and towns—such as the provinces of north China, the coastal provinces of Guangdong and Zhejiang, and the Inner Mongolia and Xinjiang Uygur Autonomous Regions, the output value per year averages 9,730 yuan for each city dweller, while that for people in the rural areas is 1,180 yuan.

But in provinces where less than 20 percent of the people live in cities, the output value per city dweller is 8,340 yuan and per rural inhabitant, 620 yuan.

Phenomenon of Early Marriage in Shaanxi Analyzed

*92CE0599A Beijing ZHONGGUO SHEHUI BAO
in Chinese 14 Jul 92 p 4*

[Excerpts] [passage omitted] In the last 10 years from 1982 to 1991, the rate of early marriage in Shaanxi Province has been above 20 percent. The situation was particularly critical in southern and northern Shaanxi. In 1989, 70 percent of the married people in Yeping District in Ankang City married early. They were mostly 16- or 17-years-old. The incredible case was that the youngest was only 13-years-old. During the period from January to April in 1991, Shiquan County registered 70 cases of early marriage. The married people were generally about 17-years-old. In the county's Lianghe Township, a girl got married at the age of 13 in 1987.

It is generally held that the phenomenon of early marriage mostly takes place in economically and culturally backward localities where communication facilities are poor. This is a fact. In Yanan Prefecture's three northernmost counties including Ansai, Zhidan, and Wuqi, the cases of early marriages is very serious. Since 1986, of the 21 married couples in a certain village in Pingqiao Township in Ansai County, 14 were married too early, accounting for 66 percent of the village's total. The youngest was only 13-years-old.

This is the case in backward localities. Although the situation is getting a little better in the developed Guanzhong Prefecture, it is still intolerable.

In the three years from 1985 to mid-1987, 700 couples in Jingyang County married early, and the rate of early marriage was 11.3 percent. From 1986 to 1989, 48 couples married in Anli Township in Yao County, of which 11 were married too early, with the youngest being 15-years-old. The rate of early marriage amounted to 20 percent in Xianyang and Hancheng Cities. Nevertheless, in developed localities, it is relatively easy to put the rate of early marriage under control. After Yao County took effective measures, the rate of early marriage dropped to one percent in 1990. [passage omitted]

Undoubtedly, early marriage has seriously trampled the inviolability of the "Marriage Law" and damaged women's physical and mental health. More seriously, it will inevitably lead to early childbearing and multiple-birth childbearing, which directly threaten the smooth implementation of China's basic national policy on family planning.

In Xianyang City, women at the childbearing age of 15 to 21 gave birth to 15,310 children in 1989. In Pingqiao Township in Ansai County, of the 14 early married couples, 12 bore children at an immature age, and the youngest was only 15-years-old. In 1989, in Xixiang

County, of the 1,126 early married couples, 687 bore children at an immature age, accounting for 61 percent of the county's total. Early childbearing has not only increased the population birth rate in that year, but more pronouncedly, it has also shortened the population's generation interval. Giving birth to children at the age of 20 instead of 25 means producing an additional generation of people within 100 years. There is a 44-year-old woman in Pingqiao Township in Ansai County who had a grandson who was already 8-years-old or so. Thus, the general gap is 18 years on the average.

Early marriage is not only a direct cause for early childbearing, but it is also an important factor of multiple-birth childbearing. Between 1980 and 1981, seven out of 19 early married couples in Pingqiao Township had more than two births, and the other 12 had two. Most early married people had multiple births in Yangshu Township in Luochuan County, which made multiple-birth rate stay high. In 1987, the rate of multiple-birth childbearing was 41.18 percent, and in the first half of 1991, it jumped to 55.56 percent.

Early marriage is also one of the factors that cause social instability. From 1986 to 1989, the Yao County court handled 39 divorce cases, and five of which were caused by early marriage. Most early marriages are arranged by parents, going against the will of their children concerned. It is apt to give rise to related criminal cases. According to a briefing given by the Shaanxi Higher Court, many early-marriage-related criminal cases took place in 1991 in the province.

According to the results of a survey, the two main causes for early marriage are the grass-root marriage management and the couples concerned and their relatives.

In terms of marriage management: 1) Laws are not enforced strictly and violated knowingly. Generally, there are three situations: One is that the marriage management personnel directly violate laws; the other is that they privately open the door for early married people; and the third case is that villagers communities issue forged certificates. 2) Marriage management personnel do not have a good grasp of laws. Many of them have not received strict training. Some towns do not have full-time marriage management personnel. They are replaced by other people who do not have the slightest knowledge about related laws. For example, issuing a marriage certificate to a 13-year-old girl is a legal violation that does not only violate the "Marriage Law", but also violates criminal law. The "Criminal Law" stipulates that having sex with a girl under 14-years-old must be punished on rape charges and those involved in the case must also bear legal responsibility. 3) Marriage management personnel have strong traditional feudal ideas, and are deeply influenced by the force of habit. They are mentally tolerable to people's getting married early for reasons of this kind.

In regard to the early married couples and their relatives, feudal patriarchal behavior and the force of habit are

making troubles. Most early marriages are decided, through matchmakers, by parents, who are influenced by the customs, such as the idea of "having a daughter-in-law early means having a son early, and having a son early means enjoying a happy life early." Another factor of early marriage are backward productive forces and poverty. The circumstance in which the family serves as production unit following implementation of the agricultural production responsibility system, has caused some to allow their children to get married early to have more labor and get more farm shares. Some sell their daughters early to get money because of their extreme poverty. Furthermore, the deteriorating social order and general atmosphere in farming villages makes parents worry about the adverse impact on their offspring that they hope that getting married and giving birth early will tie their children at home. Finally, because the general education level of the married couples and their relatives tends to be low, they can hardly understand the harm done by early marriage to both society and themselves. It is also difficult for them to understand that early marriage violates the law. Many people get married first before they received a marriage certificate. It is not uncommon to see people receiving their marriage certificates with their children in their arms. Of all early married couples, none is able to use laws as legal weapon to protect their own legitimate rights.

There are many reasons why early marriage cannot be checked, but the most important one is that there are no clear and definite legal clauses for early married people and those who coerce others to get married early. At a discussion meeting with heads of some villages in Heyang and Luochuan Counties, personnel said: "In handling early marriage cases, intercessions are enormously abundant, some of which come from immediate superiors and fellow villagers. How should the case be handled?" and "In dealing with such a case, it is not serious enough to detain the parties concerned and there is not enough evidence to fine them. It is illegal to treat the matter with indigenous method other than state policies, and if something goes wrong in this regard, one will end in a lawsuit." Therefore, we must adopt appropriate measures to stop the phenomenon of early marriage from disseminating continuously. The investigating group has drafted the "Regulations of Shaanxi Province on Prohibition of Early Marriage and Early Child Bearing," based on large amount of first-hand materials, which have been promulgated and implemented in a governmental decree. The "Regulations" injected fresh vitality into the effort to wipe out the phenomenon of early marriage. However, early marriage phenomenon has a myriad of relations with many other factors such as economic development, education and social environment. Apart from implementing the "Regulations" persistently to eliminate the bad habit of early marriage determinedly, all departments concerned should also coordinate with one another and make concerted efforts to keep up the work over the long term.

TRANSPORTATION

Reform Breathes New Life Into Port Construction

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[By Reporter Li Niangui (2621 1628 6311)]

[Text] Beijing, 26 August (XINHUA)—Reform of the investment structure has breathed new life into port construction in China. In the last five years, over 330 new berths have been built, the fastest development witnessed since the founding of New China.

In July 1988, the State Council approved the establishment of the State Transportation Investment Company specialized in developing and managing shipping, civil aviation and highway projects, and other fixed asset investment. This changed the traditional method by which construction was funded entirely by state allotments and began the use of economic methods to manage investments. Since its founding, the company has adhered to the state's development strategy requirements, industrial policy, and business plan, and utilized the market and competition mechanisms to positively manage investments in port construction; thus improving investment returns and accelerating the pace of port construction. Between 1988 and 1991, the total investment for port construction nationwide totaled 9.05 billion yuan; 72 deepwater berths and 155 medium and small berths were completed, adding 98.37 million tons of handling capacity. Growth during these four years was more rapid than that during the Sixth Five-Year Plan which saw China's fastest port construction expansion. Seven more deepwater berths and 40 more medium and small berths were built, totaling an additional 4.6 million tons of handling capacity.

According to briefings, 217 berths are under construction this year and investment totals 13.54 billion yuan. By yearend, 110 berths will be completed and become operational, of which 25 are deepwater berths with a handling capacity of 38.39 million tons.

Looking at the last five years, three new features have emerged during port construction:

—While quickening the pace of port construction along the coast, port construction along inland waterways has been accelerated to pave the way for reform and opening up to move from coastal to inland regions. The Chang Jiang is China's largest and longest river with 70,000 km of navigable waterways. It is the artery of river shipping and the golden waterway of economic development. In recent years, trading ports along the Chang Jiang were built in Wuhan, Huangshi, Wuhu, Jiujiang, and Chenglingji. Passenger terminals were also built in Wuhan, Yichang, Shashi, Anqing, and Wuhu. At present, passenger and cargo shipping conditions have improved considerably. Furthermore, new berths have been built along the Zhu Jiang, Heilong Jiang, and Huai He.

—While building more coal export ports, attention has been paid to building jetties to unload coal in the south. To adapt to the framework of shipping coal from the north to the south, as well as downstream and to improve the unloading capacity of southern ports, since 1988 plans have been made to construct the Zhujiamen coal jetty at Shanghai port; the Shenshuigangqu coal jetty at Shantou port; the Machun coal jetty in Hainan; the Dashikeng coal jetty in Fuzhou; the Dongdu second-phase coal jetty in Xiamen; and the second-phase coal jetty at Zhangjia port, thereby easing the tight coal shipment situation.

—Transport between the mainland and off-shore islands has been improved. China has some 6,500 islands off its coast, of which over 90 have permanent populations of more than 5,000. To solve the problem of transporting people and goods to these islands, some 32 million yuan has been spent in recent years to build 20 medium and small berths, increasing the handling capacity by 1.74 million tons.

AGRICULTURE

QIUSHI on Reform of Farm Product Circulation

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[Article by Zhejiang Vice Governor Xu Xingguan (6079 5887 6306): "Several Reflections on Reform of the Farm Product Circulation System"]

[Text] The decade of reform and opening has brought profound changes to China's economic and social outlook. We have, in the course of practice, found and created many good forms for the integration of planning and the market. This experience provides favorable conditions for our future efforts to deepen the reform. In this article, I will, in the light of the practice of rural reform in Zhejiang Province and my personal working experience, discuss some of my views on how to organically integrate planning and the market in the circulation of farm products.

I. Combine Decentralization With Control, Exercise Management According to Category

A striking contradiction in the state purchase and marketing of agricultural products at present is the lack of coordination between commodity production by a great number of households and the ever-changing market situation. If we rely on regulation by market forces alone and abandon planned guidance, people will rush to produce things that will fetch the most money. This will lead to big fluctuations, even chaos. If we reject the role of the market mechanism and extend the state plans to cover all farm products, we are likely to smother the economy and dampen the peasants' enthusiasm in developing commodity production, which is not conducive to the development of the socialist economy. According to

the law governing the planned and proportionate development of the national economy and the objective requirements of the law of value, a feasible method is to organically combine planning with the use of market forces, and establish a farm product circulation system that combines planned purchase with market regulation. How should planning and the market be combined? The basic method is to combine decentralization with control and exercise management according to category.

In the early 1980's, Zhejiang Province adopted a state purchase policy which combines unified management with separate management through the fixing of purchase varieties and base figures. The specific method is to adopt different forms of planning, pricing policies and methods of purchase and marketing according to the position and role of individual farm products in the national economy. On the whole, farm products fall under three categories.

The first category refers to products subject to mandatory planning. Under this category, the price and quantity purchased are fixed by the state, and purchase is carried out in a unified way by state purchase departments. At present, they include eight varieties, namely grain purchased and stored by the state, cotton, cocoons, tobacco, magnolia bark, eucommia bark, liquorice and musk. Some of these are important products with a vital bearing on the national economy, people's livelihood and social security; some are products that are in acute shortage and need to be protected; and some are raw materials for products under special control. These products are limited in varieties. Their commercialized proportion only makes up about 14 percent of the total quantity of farm and sideline products sold commercially.

The second category refers to farm products which are mainly subject to mandatory planning. This category of products includes major nonstaple food supplied to cities, such as edible oil, pigs and vegetables from production bases, and bulk industrial raw materials or foreign trade products, such as jute, hemp and export green tea. Purchase and marketing contracts are concluded between commercial departments (including foreign trade departments and supply and marketing cooperatives) and producers, with clearly stipulated purchase prices and quantities. Both parties are bound by the contract. The subjection of these bulk products to mandatory planning is conducive to the dovetailing of production with marketing. It provides urban supply, industry production and export trade with a stable source, and ensures a steady market for farm products. Thus, it is conducive to the stability of production and the market. At present, commodity farm products subject to mandatory planning make up about 25 percent of all farm products sold commercially.

The third category refers to products sold in the open market. They include all farm products other than those mentioned in categories one and two. In terms of varieties, they account for the overwhelming majority;

in terms of value, they account for 61 percent of all commodity farm products. The purchase and selling prices and circulation of these products are completely open. They are regulated by market forces, and are purchased and sold through a variety of channels. Prices are allowed to fluctuate with market conditions. As the law of value can play its role to the full in guiding production and regulating supply and demand, production can develop rapidly. Take fruit and aquatic products for example. Their output increased by 139.9 percent and 33.7 percent respectively during the Seventh Five-Year Plan. Fresh fruit and fresh fish were rare commodities in the past, but now they are readily available in the market. The peasants are happy, and so are the urban inhabitants.

Practice proves that this method of classifying farm products according to their character and combining decentralization with control is an effective approach. On the one hand, it subjects a small number of important products to planned management so that the basic necessities of the people can be guaranteed, which is conducive to social stability. On the other hand, it opens up the majority of farm products to market regulation, which is conducive to boosting production. The variety and quantity of products subject to planned management must be kept within limits necessary for ensuring supplies. The rest should be made available in the open market as far as possible. Following the development of agricultural production, the maturity of the market and the strengthening of state financial muscle and mass purchasing power, the variety and quantity of products subject to mandatory purchase and marketing plans must be gradually narrowed and the scope of market regulation must be gradually enlarged in order to better bring into play the role of the market mechanism.

With regard to products subject to planned management, the crucial thing is to bring price relations into better balance. At present, prices fixed by the state for products such as grain, cotton and oil, which are subject to planned management, are too low. The fact that prices of some products are far below their respective market prices has affected the enthusiasm of the peasants for production. The central and local authorities have worked hard to remedy this situation. Governments at various levels have tried by all and every means to purchase and store more grain in an effort to help peasants overcome difficulties in selling grain. Recently, the state has appropriately raised the fixed price of grain. These measures have produced positive results in alleviating the problem of competitive dumping of grain and in protecting grain production.

II. Invigorate the Main Channel, Develop Multiple Channels

Through reform in the 1980's, a circulation system with state cooperative commerce playing the leading role has taken shape in the rural areas. This multi-sector, multi-form and multi-channel system with few intermediate

levels has initially demonstrated its importance in invigorating the circulation of farm products, thus providing the necessary organizational guarantee for the establishment and perfection of a new circulation system. "Without a main channel, there is no stability; without multiple channels, there is no flexibility." This is the crystallization of experience and lessons. We cannot pit the main channel against multiple channels and cut them apart. Instead, we must further invigorate the main channel and develop multiple channels through the deepening of reform, and encourage them to jointly contribute their share toward developing production, invigorating the economy and ensuring supply.

The main channel must be stable but not put under rigid control. Supply and marketing cooperatives and units handling state domestic and foreign trade are the principal executives of the state plan for the circulation of farm products. They are the leading force in stabilizing and bringing prosperity to the urban and rural markets, the main channel for rural commodity circulation. In accordance with the principle that "the state should relax its control, enterprises should exercise strict management, and efforts should be made to ensure moderation in decentralization and orderliness in introducing flexibility," and under macroeconomic regulation and control by the state, we must adopt flexible measures for business operations, pricing, labor power employment and distribution. Efforts must be made to speed up the reform of state cooperative commerce, and steer enterprises toward the market. While improving their external environment and fighting for greater autonomy, enterprises should conscientiously strive to transform their internal operating mechanism, increase their vitality and stamina, exercise strict management and achieve better results in order to gradually become commodity operators that enjoy management autonomy, assume sole responsibility for their own profits and losses, and are able to restrict and develop themselves. They should be helped to better play their role as the main channel in the circulation of farm products. Here, it is necessary to correctly understand the idea of "the main channel." The role of state cooperative commerce as the main channel is primarily to play a "leading" role. We cannot put everything under the unified control of a sole agent when the term "main channel" is mentioned; neither can we let go and abandon our position as soon as we receive orders to relax control. The role of the main channel finds expression not only in the purchase and sale of farm products subject to planned management, but also in competition between different channels handling the open trade in farm products. Toward the latter, whether or not state cooperative commerce plays the role of the main channel should not be judged simply by the proportion of farm products handled. More importantly, we should see whether it plays a leading role in regulating and controlling the market, dovetailing production and the market, organizing circulation, guiding production and providing services. If state cooperative commerce does not actively participate in competition among multiple channels, and "opening the market" becomes

"abandoning the market," it will find itself heading toward a narrowing path and will even lose its role as the main channel. In order to consolidate and strengthen its role as the main channel, state cooperative commerce must first effectively rectify its bureaucratic way of handling business, strengthen its pioneering spirit and awareness of the need to carry out reform, and take the initiative to actively participate in competition among multiple channels. In this respect, many state cooperative commercial enterprises have taken the first gratifying step forward. An example of this is how the Quxian County Supply and Marketing Cooperative positively improved its mode of operation and took an active part in the multi-channel marketing of oranges and tangerines. In conjunction with agricultural, scientific, technological and other departments and major households specializing in the growing of oranges and tangerines, they established an Orange and Tangerine Production, Supply and Marketing General Cooperative to provide pricing information, freshness preservation, packaging, distribution, processing and other services to various organizations involved in the transport of oranges and tangerines as well as peasant households engaged in the retailing of oranges and tangerines. Although it only handled a small volume of direct sales, the Supply and Marketing Cooperative contributed significantly toward the smooth marketing of 4 million dan of oranges and tangerines in the county. With services come profits. The economic returns of the supply and marketing cooperative saw a marked increase. The successful experience of Quxian County in the marketing of oranges and tangerines reveals to us that in the face of keen competition and rigorous challenge, state cooperative commerce must explore new ideas, boldly put new ideas into practice and seek new and vibrant modes of circulation. Only in this way can state cooperative commerce get a firm foothold in keen competition, and expand and shoulder its historic mission as the main channel. Practice proves that we will find a way out through participation. Different localities have found many successful forms of participation and means of circulation. For example, specialized circulation organizations are formed around leading products of various localities to bring together the interests of producers and retailers. In conjunction with agricultural departments, efforts are made to bring together material resources and technical support in order to increase competitiveness and service capability. In association with village economic cooperatives, village service stations are established to enlarge the scope of operation and increase the market share. Agricultural wholesale markets are set up to invigorate circulation and strengthen capability.

The multiple channels must be run flexibly and in an orderly way. Multi-channel operation has introduced a mechanism of competition into the realm of circulation. It negates the old system of sole agency and is of great significance in the establishment of a new order in the circulation of farm products. Over the years, it has fully demonstrated its role in invigorating the circulation of farm products and overcoming the difficulties in the

purchase and marketing of products. In particular, the farm produce markets have been invigorated by the entry of large numbers of peasants into the realm of circulation in such forms as individual retailers, combined purchase and sale units and collective purchase and sale organizations. The purchase and sale of fresh goods and small quantities of farm and sideline products are now handled by peasant retailers. Two years ago, when the market was sluggish and products were selling slowly, it was thanks to these retailers that farmers of yellow peaches of Jinhua, oranges and tangerines of Quxian, and loquats of Huangyan did not have to see their fruit rot away. Practice shows that this is a good form of getting peasants to serve themselves. Thus, we must unswervingly implement the policy of multi-channel circulation, and devote major efforts to fostering and developing new and diversified circulation organizations and forms. We must further encourage and guide peasants to enter the realm of circulation. We cannot invite them to enter this realm when the market is slow, and drive them out when sales are brisk. Collectives and individuals should be allowed to engage in the procurement, wholesaling, processing and distribution of farm products that are not subject to state control. Departments of industry and commerce, banking, transportation, finance and taxation, insurance, and so on should make things easy for them and provide the necessary services. Problems in multi-channel operations, such as fraud, tax evasion, short-term behavior and improper competition, must be resolved through the improvement of relevant laws and regulations and the strengthening of management and guidance. We must see to it that retailers are law-abiding and gradually make multi-channel circulation more organized and standardized.

III. Bring About the Integration of Production, Supply and Marketing

The integration of production, supply and marketing with products as the leading factor, along with the formation of economic communities of producers, processors and operators, can help bring about a mechanism of mutual dependence, cooperation, and shared risks and interests between peasants, merchants and industrial enterprises, stimulate the enthusiasm of farm product processors and operators to show concern for and take part in production, guide production through the opening of domestic and overseas markets, and bring about a benign cycle of production and circulation. The establishment of integrated production, supply and marketing organizations enables the peasants to obtain technical guidance, agricultural supplies, product marketing and other services, and ensures a stable source of raw materials and goods for industrial and commercial enterprises. The addition of this important player of transaction in the market is particularly conducive to the maturity of wholesale and futures markets. It also enables the state to more effectively exercise macroeconomic regulation and control, and helps bring the dispersed economic activities of peasants onto the track of the healthy development of the planned commodity economy. Thus, we

should take the development of integrated production, supply and marketing organizations as an important step in the reform of the farm product circulation system. The government must make use of credit, taxation, interest rates, foreign exchange retention, purchase and sale policies and other means to give increased support to these organizations. In developing integrated production, supply and marketing organizations for farm products, we must make clear the following three points in our guiding ideology: First, the forms of integration are varied and diversified. They may be in the form of an integration of single items in joint operations, joint purchase and joint marketing, or an integration covering the entire process of production, purchase, processing and marketing. The form of integration for individual commodities is, fundamentally speaking, determined by their special nature and the special requirements regarding their distribution, processing and storage. Second, the main bodies of integrated production, supply and marketing organizations are pluralistic in nature, and the forms of integration are diversified. The leading unit may be a supply and marketing cooperative, a state-owned domestic or foreign trade enterprise, a farm product processing enterprise, an agricultural department, or a new community-run economic entity. In terms of organizational form, they may be close-knit, semi-close-knit, or loose. With their comprehensive purchase networks, stable channels and solid material foundation, supply and marketing cooperatives should be able to play an important role in this respect. They should be helped to form a network of integrated and specialized production, supply and marketing cooperatives through specialization, finer division of work and organizational readjustment. Third, our purpose in integrating production, supply and marketing is not to promote monopolies but protect proper competition. Participation is voluntary and no administrative orders should be issued to peasants for this purpose.

In developing integrated production, supply and marketing organizations, it is necessary to strengthen the development of "intermediate links." Since integrated organizations have difficulty dealing directly with the vast numbers of peasant households, they have to rely on "intermediate organizations." At present, the most important "intermediate organizations" are rural economic cooperatives. We must strengthen the organizational, economic, institutional and ideological development of these community-run cooperatives, establish their corporate status, widen their scope of service and improve their economic functions. They are to be integrated organizations that can bring the vast numbers of households together, and are to serve as the link and bridge to the big market. Of course, specialized production cooperatives, specialized associations of peasants, peasant retailers, purchase and marketing communities, sales agents and so on can also serve as "intermediaries."

Integrated production, supply and marketing organizations must devote themselves to the provision of good

and diversified services to peasants while striving to properly handle their internal economic relations. Concrete systems of joint operation, sales agents, return of profits, and so on may be adopted to readjust the economic interests of the agricultural, industrial and commercial units. Particular attention must be paid to protecting the interests of peasants.

IV. Energetically Foster and Develop Farm Product Markets

The gradual establishment and fostering of farm product markets of multiple forms and levels and different scales is of great significance in invigorating the circulation of farm products and promoting the development of agriculture and the rural commodity economy. In the 1980's, Zhejiang Province devoted major efforts to strengthening the operational means, transport capability and storage facilities of state cooperative commerce. For example, a total of 230 million yuan was invested between 1989 and 1991 for the construction of granaries with a storage capability of 2.18 billion jin. These granaries played an important role in resolving the problem of the marketing and storage of grain. On the other hand, a big stride was made in market development. In 1990, there were 3,797 country markets in the whole province, 1.68 times more than in 1980. Market turnover totaled 16.192 billion yuan, 12.28 times up on 1980, accounting for 32.07 percent of the total volume of retail sales, 18.2 percentage points up on 1980. Farm product wholesale markets also developed from scratch. At present, there are 139 such markets, with annual turnover amounting to 1.3 billion yuan. The strengthening of the market function broadens the circulation channels for farm products, provides a satisfactory solution to the problem of marketing farm and sideline products, and provides effective support, guidance and protection to agricultural production. However, market development is still lagging behind on the whole. Most of our existing markets are primary markets with unitary function, limited capacity and poor facilities, and can hardly meet the needs of commodity circulation. The development and fostering of markets remains one of our pressing tasks.

In our future development of farm product markets, it is necessary to identify our development objectives and advance toward a higher level. While continuing to develop diversified primary markets, we should concentrate on the development of wholesale markets, gradually develop long-term contracts and futures trade on the basis of spot transactions, and nurture a diversified, multi-function, open and vibrant market system with wholesale markets as the center. This system must have wholesale markets as the center for two reasons. First, they have large business volumes, a large scale of distribution and relatively small transaction fees. Second, they have a large coverage and a large number of personnel involved in transactions, are more competitive, and their transaction prices can easily reflect true supply-demand relations over a large area, even in the whole country. They are thus able to provide more reliable and accurate

production signals. In order to establish a perfect market product system, it is also necessary to establish and nurture futures markets and gradually move from spot transactions to futures trade in order to diversify and lower market risks for producers and operators.

We must change the situation where state-run collective commerce operates outside the market, and support and encourage its active participation in market activities. At present, the major players in the market are township enterprises, peasant purchase and sale personnel and individual industrial and commercial units. In recent years, a small number of state and collective industrial and commercial enterprises began taking part in market competition, thereby opening up a brand-new world. In 1990, there were 55,000 stalls run by state and collective enterprises in the market. In Hangzhou City alone, over 1,130 enterprises are taking part in market operations. The state cooperative commercial units in Yiwu City are playing an active part in small commodity markets. In so doing, they have widened their scope of operation, and put an end to the state of decline. Their turnover soars and their profits top their respective trades in the province. Their experience is that one who enters the market early becomes prosperous early, one who enters the market late becomes prosperous late, and one who does not enter the market does not become prosperous. State cooperative commerce needs the market in order to get out of its predicament. This is one side of the coin. The other side of the coin is that the healthy growth of the market also needs state cooperative commerce. Through the participation of state cooperative commerce in market activities, we can gradually readjust and strengthen the main bodies of market transactions, break down the monopoly of individual and private commerce, and develop a multi-channel market structure with public ownership playing a leading role and diverse economic sectors operating side by side. Wholesale markets for major farm products like grain and oil in particular require the participation of state cooperative commerce to play their role in leading and stabilizing the market.

In order to "circulate," it is necessary to have "unobstructed access." The healthy development of the market depends on an external environment that facilitates smooth distribution and turnover. Trade barriers between regions, excessive customs barriers, interception at every level and repetitive levies have become major obstacles to the distribution of farm products. The dismantling of customs barriers is a task of top priority. Last year, our province resolved to clean up and consolidate unreasonable customs barriers. However, we have not done a thorough job and need to continue with the work. In this connection, we must first educate the local authorities and departments to settle the major accounts, that is, how they fare in developing production, invigorating the economy, implementing the party's policies and maintaining good relations between the party and the masses. Second, we must take resolute measures, and must not be dilatory in doing things or merely go through

the motions. On the other hand, we must see that behind the trade barriers between regions lie the clash of interests between local authorities and departments as a result of the fiscal and foreign trade responsibility systems. Efforts must be made to resolve these deep-rooted problems through reform.

In operating a market, it is necessary to have overall planning. At present, many localities are showing great enthusiasm in operating markets. We must guard against the tendency to rush headlong into mass action, blindly choose market sites and make the mistake of repetition. In market development, we should follow the principle of "overall planning, rational distribution, making full use of favorable factors and stressing actual results." First, we must take the economic foundation, special production features, commodity flow, transportation and other factors of a locality into full consideration and conduct full feasibility studies. Second, we must have overall consideration and rational planning in the light of the interests of the whole situation. In the development of wholesale markets, in particular, it is necessary for the central, provincial and prefectural authorities to carry out planning and unified coordination on a large scale. Only in this way can we truly produce the result of "building a market so as to promote a particular trade, invigorate an economic sector, and bring prosperity to the peasants of a locality."

V. Macroeconomic Management, Regulation and Control Must Meet the Needs of the Changed Situation

In order to ensure the healthy development of a new farm product circulation system, it is also necessary to take new macroeconomic management measures that meet the needs of the development of the socialist commodity economy, carry out major reforms on the structure, functions and methods of macroeconomic management, replacing direct management by indirect management as the main form of management, and make comprehensive use of economic, legal and administrative means, including the correct application of monetary, financial, industrial, income distribution and other economic policies, to regulate the operation of the economy. First, we must respect the law of value and the objective requirements of the law of supply and demand, and rely more on market signals in formulating and deciding on farm product circulation plans and pricing policies in order to strengthen the objectivity and scientific nature of our plans. We should take the straightening out of price relations in grain, cotton and other products covered by state plans as the principal task to be addressed in the improvement of macroeconomic regulation and control and the correct handling of the relations between planning and the market.

Next, we must strengthen economic legislation, economic law-enforcement and economic arbitration. We must resort to legal means to maintain order in the circulation of farm products. In the new farm product circulation system, the system of signing purchase and marketing contracts constitutes an important means of

creating and maintaining a normal order of commodity exchange. However, the percentage of farm product purchase and marketing contracts being honored is still very low. When products are in short supply, peasants are prone to go back on their word and refuse to sell the contracted amount to the state. When the market is slow, purchasing and processing units are also likely to violate their contracts and refuse to purchase as promised. We must improve and perfect the system of farm product purchase and marketing contracts and make better use of this form to serve agriculture and the rural commodity economy. To this end, we must strictly enforce the economic contract law and other relevant legal provisions, strengthen contract management, and strictly hold people economically, even legally, responsible for breach of contract. We must strive to perfect and standardize purchase and marketing contracts. Contracts must truly embody the new relations between producers and retailers, namely equality and mutual benefit, agreement through consultation, and compensation based on equal exchange, and efforts must be made to guard against the tendency to turn "contracts" into "tasks" and "letters of advice on purchase."

Moreover, the state must master the necessary regulatory means to regulate supplies, control prices and stabilize the market. To begin with, we must establish a reserve system for major farm and sideline products. Agricultural production tends to fluctuate a great deal as it is exposed to the dual risk of natural disasters and market fluctuations. As intermediaries between production and consumption, units of circulation must be able to function as reservoirs in order to protect production and ensure supplies. The central authorities have already established a system of grain reserves, and Zhejiang Province has followed suit. At present, we need to study how best to speed up the establishment of a multi-level grain reserve system with state reserve as the center and with grain storage at the central, provincial, county, village and household levels. We also need to study the question of the handling of special state grain reserves in order to truly bring into play their role in regulating market supply. At the same time, we must also study the question of the reserves of other major farm products. Second, we must establish a system of risk funds for farm products. Risk funds should be drawn from the circulation channels and spent on making up losses resulting from market fluctuations. The idea is to keep peasants from suffering due to low prices, protect the interests of producers and prevent substantial rises and falls in production as a result of major market fluctuations. In the future, while continuing to vigorously promote and extend the system of risk funds for farm and sideline products, we must conscientiously study and improve on the management and application of these funds.

Lastly, governments at all levels must establish a system for coordinating the production and marketing of farm products, and regularly summon the relevant departments to hold consultations in order to promptly solve problems arising in farm product circulation. With

regard to regional barriers in farm product circulation resulting from fiscal and foreign trade responsibility systems, we should strive to fundamentally resolve the problem through institutional reform and improved legislation.

Agricultural Modernization in Southern Jiangsu
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[Article by Yang Futian: "Southern Jiangsu Is Moving Towards Modernization in Big Strides"]

[Text] The southern part of Jiangsu Province is an economically developed region in China called the "Golden Triangle," and is known at home and abroad for its well-developed township industries in the last dozen years. In fact, agriculture, the base and the organizational roots of industry, has also been moving rapidly towards modernization, along with the development of township enterprises.

Modernization Seen Everywhere

Xiaoshan Village of Dayi Township, Changshu City, is a pioneer village for agricultural modernization in southern Jiangsu. Rice and wheat production on the village's 67 hectares of land has been mechanized. When reporting on the autumn harvest in this village last year, I saw that all the farmland here had been made into rectangular plots of 90 by 70 meters, with harvesters working in one plot after another. A middle-aged man named Gu Liangbao, wearing an ordinary Western suit, told me that the farm work on the land contracted to his family was mainly done by the village's comprehensive farm-work service station in a mechanized way. He only had to do some supplementary work in the fields during the busy season. For example, he only had to prepare the sacks, and transport back home the rice which had been threshed by the combine harvester, and that completed his autumn harvest work.

According to the deputy head of the village Gu Linyuan, the village had over 50 pieces or sets of farm machinery such as wheat-rice combine harvesters, rice transplanters, mid-sized tractors, walking tractors and crop protection machines, and 15 permanent service personnel. It was those people who were doing most of the farm work of the village. At the present time, the labor force of the entire village had been basically moved to the secondary and tertiary industries, and farm work has become part-time work. Because of the high degree of mechanization, the amount of work that a part-time farm household had to devote to producing one crop of wheat and one crop of rice on one mu of land had decreased from over 30 man-days four years before to about seven or eight man-days.

There are already about a 1,000 villages like Xiaoshan Village in southern Jiangsu. In Weixing Village of Huangdai Township, Wuxian County, I saw that the roads

between villages and the passageways for farm equipments were all concrete roads of three to four meters in width. All the farming infrastructure had met the standards of modernization. For instance, with regard to irrigation and drainage facilities, a high-standard network of irrigation, drainage and ground-water level lowering pipes had been built. In this way, the three kinds of channels for drainage, irrigation, and lowering ground-water levels were buried under the ground, so as to ensure good harvest in years of drought or flood.

Youyi Village of Huazhuang Township, Wuxi County, is the UN Food and Agriculture Organization's observation point for monitoring the mechanization of wheat and rice production in southern China. Presently, in the village the share of agricultural production based on mechanized ploughing and levelling, mechanized drainage and irrigation, uniform crop protection, unified seeds supply, and three-wheat combine harvesting has reached 100 percent. The share of rice production based on factory seedling growing has reached over 90 percent, and the share of rice production based on mechanized transplanting and mechanized harvesting has reached over 60 percent. According to the manager of the village's business company Wang Jinlun, in this place grain production is already basically mechanized and commercialized.

Modernization Experiment—Good Explorations on Continuing Rural Reform

In 1987, the State Council made the southern Jiangsu region an experimental zone for China's agricultural modernization to explore, in a focused manner, ways of achieving agricultural modernization.

The southern Jiangsu region is one of the economically developed regions in China. With an area of 17,500 square kilometers, the cultivated area is a little more than 750,000 hectares. The total population is over 13 million; thus the per capita arable land is less than one mu.

Benefiting from the first step of rural reform in the early 1980's, that is, the implementation of the output-linked household responsibility system, the southern Jiangsu region achieved bumper agricultural harvests in 1983 and 1984. But with the rapid development of rural industries, large numbers of rural workers moved from agriculture to industry as well as the tertiary industry. More and more farm households became part-time farm households. Many households got their income mainly from nonagricultural businesses. Under such circumstances, many peasants would only farm the amount of land necessary for producing their own food but were unwilling to farm the responsibility land that would produce commodity grain. Some young peasants were becoming less and less enthusiastic about agricultural production, and the farming began to acquire features of extensive cultivation. Some remote, low-lying, or low-yield fields were simply not farmed or were only partly

farmed. In 1985 and 1986, agricultural production here, especially grain production, was stagnate.

Under such circumstances, in the latter half of 1987, the central government and the relevant authorities of Jiangsu Province jointly made southern Jiangsu's Wuxi County, Wuxian County and Changshu City an experimental zone for agricultural modernization. The themes of the experiment were "operations on appropriately large scale land areas" and "agricultural modernization." In addition to the 126 experimental villages set up by the central and provincial governments, prefectures, municipalities and counties selected some experimental villages. Presently, the experiment zone has been expanded to include five cities under the direct provincial jurisdiction—Suzhou, Wuxi, Changzhou, Zhenjiang, and Yangzhou—containing 26 counties (cities) composed of 189 townships with 506 villages. The content of experiments was broadened from modernization of agricultural production to all aspects of rural modernization, covering such issues as the coordinated development of the primary, secondary and tertiary industries, village- and town-building, and environmental protection.

Steady Development of Large-Scale Operations on Land Areas

The starting point of the experiment on agricultural modernization in southern Jiangsu was to have large-scale operations on land areas.

In rural China, farmland is usually contracted by collective economic organizations to farm households on the basis of the number of household members in accordance with a village-wide uniform criterion. To protect the equality of rights between the villagers, collective economic organizations allocated farmland in packages of high- and low-quality plots and of remote and nearby plots. This method has brought about the problem of the farm household's contracted land being in small pieces and scattered around. Some farm households have their two or three mu of land in five or six pieces scattered in several places. Such a situation is not conducive to overall crop planning, and even less is it conducive to mechanized operation or to coordinated work on irrigation and crop protection. To change the situation, many agricultural-modernization experiment villages started their experiment with a reform of the land management practice by adopting the "two land system."

According to the explanations provided by Jiang Jufen, director of the Office for Agricultural Modernization of Jiangsu Province, the so-called "two land system" means dividing each farm household's contracted land into the two parts of "rations" and "responsibility land." Output from rations is retained for household consumption; output from the responsibility land is sold as commodity grain to the state's grain departments. On the basis of dividing land into rations and responsibility land, land distribution is adjusted to

place all the villagers' responsibility land in one tract. Then, on the basis of the peasants' own wishes, the plots of responsibility land that some peasants do not want to farm are further contracted to family farms or collective farms, so that large-scale operations can be carried out. At the same time, the policy of transferring the task of fulfilling the quota of commodity grain sales to the state together with the right to use the responsibility land has been put into effect.

According to Jiang Jufen, this is a reliable method to concentrate land in the hands of good farmers on the basis of stabilizing the output-linked household responsibility system, and the method is widely welcomed among the many part-time farm households as well as professional farm households. According to a source, in the development of large-scale operations in terms of land areas in southern Jiangsu, the principles of conditionality and of making the peasants' own wishes the basis have been consistently observed. The conditions in this respect are mainly that township enterprises have achieved a certain degree of development, working members of the farm households who give up their responsibility land have found other sources of stable income, and profits from industry are used to support agriculture.

According to statistics of relevant organizations and authorities, by the middle of 1991, in southern Jiangsu 4,300 units were engaged in large-scale operations that had each more than one hectare of land. The most prevalent form was the family farm, accounting for 70 percent of the units. Most family farms had contracted to farm dozens of mu of land, with a few having 100 to 200 mu of contracted land. Other forms of large-scale operations were those of village-run collective farms, farms run by agricultural service stations or by groups of farm machinery operators, and township enterprises' farming branches.

As shown by the results of experiments for over four years, large-scale operation on land areas is a successful way of continuing to raise farmland's yield capacity, agricultural labor productivity, and commercialization rate in regions already enjoying high-yield land. According to investigations and analyses, compared with ordinary farm households, units engaged in large-scale operations achieve larger increases in output in a normal year, and suffer smaller decreases in output in a disaster-stricken year. According to statistics prepared on the basis of three consecutive years of monitoring, units engaged in large-scale operations on land areas in the eight experimental villages of Changshu City achieved an annual per mu grain yield of 727 kilograms, 29 kilograms higher than the average yield of the respective villages, and 72 kilograms higher than the average yield for the entire city; achieved an annual per worker grain output of over 11,300 kilograms, with the labor productivity being 870 percent of the average for the city; and achieved an average annual grain commercialization rate of 90.4 percent in three years, a rate 65.2 percent higher than the city's average.

On the basis of raising farmland's yield capacity and the commercialization rate, units engaged in large-scale operations on land areas have gradually come to shoulder the burden of fulfilling their respective villages' quotas of commodity grain sales to the state; as a result the production of commodity grain has become specialized. More than 20 experimental villages such as Rongnan Village of Yuqi Township and Youyi Village of Huazhuang Township, Wuxi County, have

contracted to units engaged in large-scale operations all the responsibility land allocated for fulfilling the quotas of commodity grain sales to the state, and have over-fulfilled their quotas of sales to the state every year in the recent period. The vast majority of peasants of those villages only have to do a very small amount of supplementary work on their small pieces of food land, and devote most of their energy and time to secondary and tertiary industries.

'Overall' Social Security System Formed for Retired

*OW2208142492 Beijing XINHUA in English
1254 GMT 22 Aug 92*

[Text] Yinchuan, August 22 (XINHUA)—China has formed an overall pension planning system to guarantee the basic life of retired workers and staff in state-run enterprises.

According to Li Peiyao, vice minister of labor, 99 percent of the cities and counties in China have made overall planning use of pensions.

At present, the vice minister noted, China takes over funds totalling 20 billion yuan (about 370 million U.S. dollars) annually for pension insurance and distributes 17 billion yuan (about 315 million U.S. dollars) to retired workers and staff members through 2,900 social security administrative organizations under the labor departments at the levels of the county, prefecture and province.

China began the overall planning pension system in 1984.

At present more than 60 million workers and staff members, accounting for 82 percent, participate in the system. Included are 12 million retired people, accounting for 95 percent of the total retired people in state-run enterprises.

The overall planning pension system is being carried out among employees in urban collective enterprises in more than 1,400 cities and counties and among temporary employees in a number of economically developed areas as well as in some foreign-funded enterprises.

Ineffective Crackdown on Crime Explained

*92CM0367A Beijing RENMIN GONGAN BAO
in Chinese 27 Jun 92 p 3*

[Excerpt] Recently, we have heard many comrades report that there is still an ineffective crackdown on crime in some areas. We believe the manifestation of and reasons for the present ineffective crackdown are:

1. The custom of pleading for mercy is becoming more popular. Many police officers report that the custom of pleading for mercy interferes with criminal proceedings. Because those who plead may be our friends and relatives, ranking officials, or people with real power, they can make a lot of unnecessary trouble for personnel. Cadres in some units even believe that public security organs are throwing mud at them by arresting their employees. The cadres use improper influence as a means of putting pressure on public security organs.

2. Some public security officers are of poor quality, who tolerate crime. A small number of officers who are influenced by the mercy pleaders, or their own interest, have attempted to absolve criminals from guilt, despite facts and evidence clear and conclusive enough to prove them guilty. Police officers try to get criminals and litigants to retract confessions or accusations to withdraw the charge; they will alter the nature of the case, such as down-grading a rape or robbery to a lesser charge, or they will deliberately falsify the value of stolen goods when evaluating them so that criminals may escape a fitting punishment. Also, as some police officers often don't study hard in their expertise and are reluctant to gather arduous and meticulous on-the-spot investigations, they lose golden opportunities to gather evidence. The consequence is that valuable evidence is lost and those criminals who should be caught are allowed to escape.

3. Power transcends law, fines replace imprisonment. Some unit officers don't have much legal sense. They often place their own will above the law, replacing legality with influence. In these cases, criminals who should be arrested or re-educated through labor are given improper sentences. Some officials simply use fines instead of imprisonment, owing to a "money hungry" attitude. Once fines are paid, the case is closed.

4. Public security organs are short of funds and manpower. At present, the common problem among these units is economic. Funds for proper handling of a case are not guaranteed, and the number of police are inadequate, all of which influence efficiency and delay case work, with the result that some criminals go free.

5. Investigative techniques are out-dated. Now criminals are using more cunning means and are increasingly clever. Offences are most frequently committed by groups or those who flee the area. The geographic range over which criminals commit crimes is growing. Comparatively, our investigative techniques are inadequate to handle the demands of this challenge. Second, we lack precise information and reliable intelligence, causing the suspension of many cases, and contributing to the ineffective crackdown.

6. Without effectively implementing comprehensive, administrative measures, public security work cannot be solved by the joint effort of society. Some unit officials, fearing blame from superior officers, try to cover up a crime when it happens, because otherwise they will have to take on greater responsibility. Some people do not have the courage to testify in criminal cases, fearing the retribution of those who committed the crime. Some people lack legal sense, failing to report a crime, and even may help cover up an offence, and some criminals can be at large while the case cannot be settled, and are spared a fitting punishment. [passage omitted]

Latest Taiwanese Investment Trend on Mainland

92CE0570A Hong Kong CHING CHI TAO PAO
[ECONOMIC REPORTER] in Chinese No 24,
22 Jun 92 p 29

[Text] Over the past months, following the comprehensive implementation of the mainland's reform and opening up policy, various kinds of preferential policies are continuously appearing. The trend of Taiwanese business investment in the mainland has again increased to a higher level. Specialists call this situation "the fourth wave" or "the third tide."

According to Taiwanese sources, Taiwan's large public holding companies such as President Cooperation Enterprises and Wei-ch'an became established on the mainland, the Taiwanese financial groups of Hua-lung, Li-pa and Feng-ch'un drafted the plan of marching to the mainland, and began the earlier investment stage.

Among these huge financial groups, the Weng Ta-ming clan that controls the HuaLung group has participated in the investment of Zhongshan Tiaolun Company in Guangdong Province. Last year this company earned a profit of 29.75 million renminbi [rmb] before taxes, making it 37th on the list of the most profitable foreign enterprises on the mainland. This group recently decided to invest more than NT\$100 million in the purchase of the public holding company of Pai-li-ta in Hong Kong to enter the real estate business in Shanghai and Haerbin, and purchase the entire Chungshan Tiaolun Company. This strategy has led to a new breakthrough in Taiwanese investment on the mainland.

The Taiwan Feng-ch'un group is keeping its eyes on the three areas of Guangdong, Shanghai and Beijing, and is trying to use local sources to build department stores. The Li-pa Company's investment plan is very broad. The first stage of the plan involves the financing of businesses so that the development of the department and liquor stores can be accomplished. The company is also waiting for the chance to bring its Yu-lien Real Estate Insurance Company and An-li Bank, which are located in the United States to the mainland to establish branches.

Another characteristic of Taiwanese business investment on the mainland is an investment policy inclining towards the long term and large-size. Recently the statistical data compiled by the Investment and Evaluation Committee of the Taiwan "Economic Ministry" revealed that at the end of 1991 2,552 Taiwanese companies had invested on the mainland. One-fourth of these companies stated that they are planning to reduce or stop production at the Taiwanese parent companies, and move about 3,000 production lines to the mainland. In addition, the terms of most of the contracts signed by Taiwanese businessmen have been extended from 50 to 70 years. This situation shows that Taiwanese investment on the mainland have made a "qualitative change." The investment strategy has also changed from "hit and run" to "settle down and plant roots."

At the same time, the scale of investments for single projects has quickly increased from the previous amount of \$100,000 up to a million, and even \$10 million. For example, Hongching Chenchih Corporation, established by both a Taiwanese business and Anqin City, Anhui Province, has an investment of more than \$1 million. Jilin Oil Chemical Company, established by a Taiwan business and Changchun City, Jilin Province, has an investment of almost \$5 million. The investment amount for one project in Fujian Province has increased four times, and the total investment capital exceeds \$10 million.

In the new upsurge of Taiwanese business investments, the target area has passed through the Southeast coast, and on to the north of Guangdong and Fujian Province, and to the inland areas of the mainland.

The Jiangsu region where the rate of the development of Taiwan enterprises is directly behind that of Fujian and Guangdong Provinces, ranks third on the mainland. Wuhu City, Anhui Province has become the stronghold of Taiwan business investment. At present 63 Taiwan enterprises have been permitted to set-up. From January to April of this year, the amount of Taiwan investment capital increased 50 percent compared to the same time last year. Beijing compiled statistical data from the beginning of the year to the end of April that shows almost every two days a Taiwan enterprise was established. So far more than 270 Taiwan businesses have been established in this city.

In Shandong Province there has recently emerged the "Taiwan street" in Taierzhuang. This area has attracted the interest of more than 10 Taiwan businesses who came to investigate and made an investment of 1.5 million rmb to establish a Taiwan business on the street. Among the five nondirect investment projects on the mainland permitted by Taiwan's "Economic Ministry," there are two projects in Shenzhen, one in Fujian, one in Nanjing Xiaohua Company, and one in Tianjin Coordinated Milk Product Company.

At present, Taiwanese medium or large-scale real estate agents often look into the mainland's real estate and retail markets, and hope that at the time when the mainland opens these two areas, they can be the first business in and get the first share.

Famous real estate businesses such as the International Division of the American ERA Real Estate Alliance which has its base in Taiwan and is ranked second in the world, and Taiwan Pacific Real Estate Housing have decided to focus on the mainland as the main area. Some companies are planning to set up branches in Shanghai, Fujian and Guangdong, etc, and are continually organizing delegations to investigate the sites. The purpose of these Taiwanese businessmen at this early stage is mainly to spread their business reputation and attract consumers. Their target is Taiwanese businessmen who have invested on the mainland. Their production is

concentrated on the high quality housing and business-office construction for these Taiwanese residents.

At the same time, the large mainland market of almost 1.2 billion people will soon open. There are a lot of Taiwan businesses there waiting and actively planning to try this new market. Among these businesses the Taiwan Ta-t'ung Group that is originally from Taiwan and the Far East Department Store Group have all gone to the mainland for investigations and prepared for investment projects.

To cooperate with Japanese businesses in investing on the mainland has become another characteristic of Taiwan business strategy to enter the mainland market.

Several days ago the Taiwan "Economic Ministry" revealed that applications for investing on the mainland with Japanese businesses have become much more frequent. The Taiwan Tung-i group recently announced a plan to cooperate with the Japanese Tien-ssu Company, and together go

to the mainland to produce cars and electric batteries. Other businesses also cooperate with Japanese companies in various forms of cooperation, such as in the co-capital and appointing process, the breeding of aquatic products, and mechanical motors and aluminum wheels and frames, etc. Also several famous Japanese insurance companies are searching for ways to cooperate with Taiwan businesses to set up companies in Taiwan, and then turn to the market in the mainland.

At present, there are two main types of Taiwanese and Japanese businesses that are jointly investing on the mainland: One type consists of Taiwanese and Japanese businesses investing together on the mainland with the status of a Taiwan "native legal person"; the other type consists of Japanese businesses that provide capital and Taiwanese businesses that provide the labor, while the two parties together share in the profits.

National Security System in Disarray

92CM0382A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 279, 18 Jul 92 pp 14-15

[Article by Hsieh Chung-liang: "When Big Brother Is Overthrown, Little Brothers Are Creating Disturbances—Disarray in the Command and Coordination System for Domestic Security"]

[Excerpt] The dissolution of the General Garrison Command is something that makes people happy. But while feeling happy, one should not overlook the problem of adjustment that the national security system is faced with as a result of the dissolution of the General Garrison Command. Particularly, it is obvious and of immediate concern that there have occurred signs of disarray in the vertical and horizontal command-coordination system governing the intelligence and security units.

In the past, the National Security Bureau [NSB] was the highest intelligence and security authority in the domestic security system, and the General Garrison Command was the highest security authority under the NSB. There were largely settled lines of authority in terms of the vertical or horizontal command and supervision and the division of labor in the area of liaison and coordination throughout the entire security system. However, with the dissolution of the General Garrison Command and in view of the coming reorganization of the NSB, there will inevitably emerge gaps in the network linking up all parts of the entire security system, under the principle of separation of intelligence and security.

As pointed out by high-ranking officials of security units, every national security system has been built up through a process of trial and error. There will be blind spots even in the most close-knit security networks. This is inevitable because of the special nature of the intelligence and security work in terms of operations based on single-line command. Therefore, one can only gradually perfect the system on the basis of experience. Because of such a nature, the security system itself cannot afford radical internal changes or endure drastic shaking-up. The reestablishment of a security system after its dissolution can easily take 10 years or even decades. Surely, the dissolution of the General Garrison Command is not a matter of such a magnitude. But it is already obvious that the present security system lacks a unit or institution responsible for horizontal liaison and coordination.

Because, as indicated by the director of the NSB Sung Hsin-lien, the reorganization of the NSB will be based on the fundamental principle of separation of intelligence and security, security work will be put under the supervision of the Executive Yuan, and intelligence work will be put under the supervision of the Presidential Office. As a result, in the future the NSB cannot be the supervisory and coordinating unit for security work. In addition, the General Garrison Command has already been dissolved, in the future the Police Administration will be upgraded to the General Police Administration which will nominally be the highest

security authority. However, the Investigation Bureau is under the Justice Ministry, and the Military Police Headquarters and Coast Guard Headquarters are under the Defense Ministry, there will not be a unit responsible for overall horizontal liaison and coordination work. This situation is prone to result in blind spots in security work. Therefore, it is necessary to establish an inter-ministerial coordinating unit.

According to a source, the "security affairs meetings" set up by the Executive Yuan have been in practice for over a year. However, as the "security affairs meetings" are not a permanent institution, such "security affairs meetings" are able to perform their functions only because of the powerful display of authority on the part of the Executive Yuan president Hao Po-tsun. If the Executive Yuan president was someone else, those meetings may not be able to perform the functions of horizontal liaison and coordination for the security system. Based on such considerations, the authorities concerned intend to establish a permanent institution such as a "security commission," so as to insure full cooperation between parts of the security system, and to insure the performing of the functions of overall coordination.

According to people from intelligence units, the General Garrison Command went further than the intelligence units on many matters, and its conduct has been criticized in many aspects. But the relevant authorities' dissolving of the General Garrison Command was a move that went too far in correcting a wrong. Since the ending last year of the period of mobilization for suppression of rebellion, the intelligence and security system has not only become a common target of public attack, but also been in a disarray internally. There have also occurred one problem after another in the vertical command system. Each intelligence or security unit performs its own functions independently, and there has been a complete lack of coordination between the units.

Take the case of the Military Intelligence Bureau. The Military Intelligence Bureau is under the General Staff of the Defense Ministry, but the NSB has the authority of supervising the intelligence operations of the Military Intelligence Bureau. In the past, to leave the country, personnel of the Military Intelligence Bureau had to report for record keeping purposes to, or even ask for leave from, the relevant departments of the NSB, but now each unit only minds its own business. Recently, when the director of the Military Intelligence Bureau Ying Tsung-wen went to the United States, he went without even filing a report for record keeping purposes, let alone asking for leave from the NSB. This shows the disarray in the vertical relationships in the intelligence and security system.

According to the NSB, the NSB itself is to be reorganized soon, and is faced with all kinds of internal difficulties. The General Garrison Command has already given up the authority as the highest-ranking security unit. Consequently, the NSB has to withdraw from the security

part of intelligence, and become a pure intelligence unit. This also leads to the issue of changing the name of the NSB to put the reorganized NSB in the category of intelligence unit. However, in the proposed constitutional amendments put forward last year, the articles on the NSB contained the explicit wording "National Security Bureau." As a result, even if the NSB is to be reorganized into a pure intelligence unit, its name still cannot be changed. The present name "National Security Bureau" which does not distinguish between intelligence and security would still have to be used as the name for the reorganized unit. To do otherwise would be without legal basis, and would violate the constitution.

Similarly, the NSB after reorganization would be directly under the Presidential Office, and would have to be separated from the security system under the Defense Ministry on operational and budgetary matters. In the past, the Defense Ministry could carry out its covert purchases through purchasing under the budget of the NSB, but, with the separation of the Presidential Office and the Executive Yuan, covert purchases will also be seriously affected, with the confidentiality of the purchases to be seriously diminished.

Because operations of the General Garrison Command in the past involved many areas of work, the dissolution of the General Garrison Command created a big disturbance for the existing intelligence and security units. Most of the relevant work done by the General Garrison Command has been transferred to the police or the Investigation Bureau. The most sensitive telecommunication monitoring operation has become a piece of work the responsibility and authority for which is being vied for among various units. The Ministry of Communications hopes to be given the authority of regulating radio frequencies, but is not interested in monitoring telecommunications from unidentified sources. On the other hand, the Police Administration and the Investigation Bureau are each hoping to be given only the responsibility for domestic monitoring, while neither of them has any interest in being given the responsibility for monitoring international telecommunications nor telecommunications with the mainland.

According to a source in the military, because the monitoring operations are rather professional and sensitive, basically, regular international telecommunications and telecommunications with the mainland will be received and translated by the state news agency under the future Information Bureau, and the results will be completely open to the public and available to all the news media. Telecommunications from unidentified domestic or mainland sources will be received by a special unit set up by the General Staff. The NSB's two centers of Ankang and Anhua will continue to be responsible for analyzing, interpreting and studying the telecommunications received by the Defense Ministry. Even with such a division of labor, the operations of monitoring telecommunications can still only keep a minimum degree of coherence.

Because the NSB after reorganization will lose its authority to direct and supervise the intelligence and security system, intelligence work and security work will be separated and be put under the supervision of the Presidential Office and the Executive Yuan respectively. Consequently, the telecommunications that the intelligence units emphasize may not receive due attention from the Defense Ministry's telecommunication monitoring units which may focus only on answering the demands made by the Defense Ministry. Since the situation is already so bad now when the existing NSB has not yet lost its leading role in the intelligence and security system, the disarray can only increase when the planned separation is put in place. [passage omitted]

Cause, Effect of Confused Mainland Policy

92CM0381A Taipei TIEN-HSIA [COMMONWEALTH]
in Chinese No 134, 1 Jul 92 pp 94-98, 103

[Article by Li Ming-hsien: "Why Has There Been Loss of Control on Mainland Policy?—The Phenomenon of Stepping on the Brake Pedal and the Gas Pedal at the Same Time"]

[Excerpt] [passage omitted] The first phase of the "disarray" [passage omitted] occurred in the midst of a whole bunch of statements made by high-ranking government officials on mainland policy. The Presidential Office spokesman Chiu Ching-yi proposed that the two sides of the strait conclude a nonaggression agreement, and that help be given to the mainland with regard to the development of Pudong, the Tumen River, and the Three Gorges section of the Yangtze River. Then, the Finance Minister Wang Chien-hsuan and the politically appointed deputy Economics Minister Chiang Ping-kun indicated, on separate occasions, the intention to permit financial and service sectors as well as large and mid-sized enterprises to invest on the mainland.

Recently, the president of the Economics Institute of Taiwan Liu T'ai-ying, who is close to the Presidential Office, visited the mainland twice, to discuss the issue of introducing high technology from the mainland, and this event has been interpreted in the public as indicating the government's intention to speed up the development of relations between the two sides of the strait.

Their statements and actions not only overturned the strategy of "giving priority to cultural exchanges, keeping a steady pace in economic and trade exchanges, and being cautious regarding political contacts" specified in the original mainland policy, but has also aroused all kinds of associations and speculations.

Some people view Chiu Ching-yi's statement as "reiterating the position upholding Taiwan's status as a 'political entity,'" while others have been scared into a cold sweat, wondering whether "immediate unification is being planned," according to the recollections of a scholar, present at the occasion, about his immediate reaction.

Signs of the heating up of the mainland fever can be seen everywhere in society. There have been symposiums one after another on the mainland market and briefing sessions on investment matters sponsored by business organizations and the media. Business tycoons such as Wang Yung-ch'ing and Chang Jung-fa indicated, on successive occasions, their attitudes towards petrochemical businesses' investing on the mainland and towards the direct transport contact between the two sides of the strait. Even more significantly, such officials and public opinion leaders as the Central Academy president Wu Ta-you, the Presidential Office's state counsellor Chao Yao-tung and the Productive Force Center's general manager Shi Tzu-yi spelled out their analyses, in a confident and enthusiastic manner, regarding the ways of achieving economic integration of, and technology exchanges between, the two sides of the strait in the limelight of the media of the two sides of the strait.

The message that they have repeatedly delivered is: The mainland is a large stretch of grassland, which provides the right opportunity for Taiwan which has learned its equestrian skills in the past several decades, and can thus run as fast as possible there. "To read the newspapers, you think that we have already achieved unification," says one intellectual.

In addition to complaining about the "failures to observe the rules of the game" on the part of some relevant ministries and commissions as well as influential figures, the Mainland Affairs Commission, which is responsible for "keeping control" of the mainland policy, is also faced with the confusing task of "stepping on the gas pedal, while using the brake."

First the ban on introducing high technology from the mainland was lifted; on the one hand, at various symposiums Mainland Commission officials were ridiculed by businessmen and scholars eager for mainland contacts; and then, on the other hand, there was the case of permitting service sector firms of over a hundred lines of business to invest on the mainland. In the short time of half a month, the Mainland Commission put on a busy show of "lifting bans and then halting such lifting of bans."

In mid-June, the Mainland Commission declared that "it has been decided in principle that service-sector firms of 155 lines of business will be permitted to invest on the mainland."

On 22 June, a commission meeting of the Mainland Commission ended half an hour later than scheduled. Grave-looking members from the various ministries and commissions left immediately; the only people who did not leave immediately were the deputy chairman Kao K'ung-lien who cautiously declared that "the ban on the service sector will not be lifted for the time being," and the reporters from the major media organizations who had published reports contrary to that announcement.

"The mainland policy is now in total disarray," comments Ming Chu-cheng, associate professor at the Political Science Department of Taiwan University. The CPC

has made no concessions in terms of its political stand, but in contrast Taiwan's political and economic bargaining chips are being gobbled up one by one. Shaking his head, Ming Chu-cheng, who just published an article on the "National Unification Guidelines" about a month ago, points out: "The direction of the mainland policy is no longer clear."

A young ministerial-level official of the government goes even further, observing that Taiwan does not have a complete policy on the mainland to start with, and that policy was formulated only after the people had created fait accompli. "Taiwan has totally lost the initiative, and is falling into the CPC's trap of pressuring the government with popular demands and promoting political objectives with economic moves," according to a well-informed figure.

Another high-ranking government official also points out that there has been no change in the mainland policy formulated on the basis of the "National Unification Guidelines," and the problem lies in "loss of control." Across Taiwan, from the government ministries and commissions to the general public, "everyone is speaking for himself and everyone is minding his own interests, leading to the total eclipse of the sense of the nation as a whole," he says in a worried tone.

Some retired officials are finding their "second spring" on the mainland; some businessmen are drooling over the "profits" to be made from the huge market of 1.2 billion people; some scholars and experts are eager after louder applause and greater fame; and some politicians are looking for support based on personal relations with people across the strait to enhance their competitiveness in Taiwan.

Analyzing the disarray, an observer points out that the mainland policy seems to be suffering from the "common disease" affecting all public policies: Government laws and regulations cannot keep up with the pace of the advance of the people, and consequently the people (especially the businessmen operating on the mainland) feel a loss and become impatient, thus resulting in uncoordinated moves. On the other hand, the government has also to conduct self-examinations with regard to the discipline situation and the tactics used in the present period.

As the two sides of the strait have different systems, throughout the exchanges between the governments of the two sides of the strait the CPC has maintained a uniform stand and strict disciplines in terms of its policy on Taiwan, and Taiwan has presented a picture of multiple sources of policy authority and of divergent stands.

The mainland scholar Ruan Ming, who is now in the United States and was once the deputy chairman of the CPC Central Committee's Research Commission, points

out that, during the 10 years when the policy of "one country, two systems" has been promoted, the CPC has maintained a uniform stand in its public announcements and work on Taiwan affairs, a stand running through from statements made by Teng Hsiao-ping, Yang Shangkun and Ting Kuan-keng to those made by T'ang Shupei. Such strict discipline has its roots in the CPC's internal organizational control, and the organizational control in turn has its roots in the CPC's experience of prolonged struggle.

"Don't forget that the CPC is the ruling party which spent the longest time fighting underground in the whole world," warns Ruan Ming who visited Taiwan about a month ago.

The fact that the seven mainland scientists who should have no relations to politics were given briefings by the CPC authorities before coming to Taiwan, and discussed "one country, two systems" in a united-front propaganda effort while visiting Taiwan can serve as an example here.

In Taiwan, however, the National Unification Commission spokesman made an appeal to the CPC in "his status as an individual person"; the executive unit—the Exchanges Across the Strait Foundation—publicly criticized the authorizing unit—the Mainland Commission, suggesting that "don't turn flexibility into inertia"; the various ministries and commissions make their public statements independently. All this shows prominently the odd phenomenon of "individualistic heroism" prevailing in the sphere of mainland affairs in Taiwan.

"The other side is fighting with team effort, but on our side everyone wants to write his own history," criticizes bluntly a scholar of politics and economics of the two sides of the strait.

One reason there has been so many heroes is that the Mainland Commission is on the same authority level as the other ministries and commissions, and thus can only conduct coordinations, with important matters being decided at the monthly commission meetings. The various ministries and commissions have their different concerns. For instance, the finance and economics units are faced with business' demands for lifting restrictions, and the foreign affairs units are concerned about the reactions on the part of the overseas Chinese as well as international reactions.

"Coordination has become compromise, with 'how far should the lifting of restrictions go, and which restrictions should be lifted' becoming the focus of discussion," observes a section-level official of the Mainland Commission. There is only bargaining over technical matters, and policy goals are totally absent.

Such a way of operating has not only brought all the pressures resulting from expectations of all sides onto the back of the Mainland Commission which has only responsibility but not power, but also turned "allowing

exchanges which should have been a policy tool into a policy goal," criticizes a political scientist.

In contrast, Japan has been much more cautious in dealing with the matter of investment on the mainland. A scholar of Japan's economy points out: "On the matter of whether to develop in North China or South China alone, the Japanese government dispatched two teams to conduct detailed studies in the two regions to provide empirical data to serve as basis for discussion and decision making."

A person conversant with the mainland policy warns us: "There should be strategies, policies and action programs of different scopes under the National Unification Guidelines, but none of those things exist now." Because of the lack of planning, the mainland policy is characterized by vacillating moves, and there is no continuity or coherence.

To substitute the abstract "National Unification Guidelines" for concrete tactics and plans, thereby giving people in Taiwan the room for fashioning their own interpretations and extrapolations, is surely one of the causes of the disarray. In an "improvised manner," the top leadership gives bits and pieces of guidance, and issues detailed instructions and "appeals" which are incoherent when taken together. All this also tends to make the government departments and the people feel at a loss.

Some people criticize that some top leaders are obviously out of touch with the "realities" of Taiwan and the mainland, and harbor some rather "wishful" thinking. They intend some of their trial-balloon-like appeals for audiences on the other side. But realistically, it is doubtful how much effect such propaganda has on the CPC authorities or the mainland people in view of the strict control of information flow on the mainland. What is certain is that such statements have stirred up much disturbance in Taiwan where there is a free flow of information.

What has such policy disarray brought in Taiwan?

Obviously, the fight, which has stopped for a while, between the forces advocating the two different ideas and policies of "unification and independence" is heating up again, and is now in a stalemate.

The two factions entertain different views, being respectively the "greater China faction" and the "Taiwan faction." Both factions have their followers in the ruling party, the government, academic circles and the media, with the mainland policy being the arena of struggle.

In the view of the "greater China faction," the mainland policy should be based first of all on nationalism, "unswervingly" upholding the stand of "one China." The economic and trade activities across the strait are both the means by which Taiwan promotes the "Taiwan

experience" on the mainland, and the means of increasing the economic power of all China including Taiwan.

Simply put, "it is a policy of going along with the two global trends of nationalism and economic regionalization," says a retired top military official in a resolute manner.

Chao Yao-tung is a representative figure of the "greater China faction." This "veteran of economic work" was in the limelight on the two sides of the strait about a month ago. At that time, in the position of an advisor at the Chinese Economics Institute, he traveled between the mainland and Taiwan, and pitched ideas of capitalism in the face of such CPC leaders as the state chairman Yang Shang-kun, and discussed, in Taiwan, ideas about Taiwan-mainland economic cooperation such as "moving from aiming at external markets to aiming at the Chinese market, moving from light industry to heavy industry, moving from low-grade products to high-grade products, and moving from separation to union."

Such public advocacy has aroused serious suspicion on the part of the "Taiwan faction" people who advocate "making Taiwan the basis of identity." In their view, because the CPC is a hostile regime, it would be better for Taiwan to gain time and international recognition on the basis of its present economic superiority, and to determine whether Taiwan should opt for unification or independence only after having a clear view of the situation after the collapse of the CPC regime.

Therefore, elite members of the "Taiwan faction" are concentrating their effort on "internationalizing the issue of Taiwan," and question the feasibility of the plan of "achieving peaceful evolution on the mainland according to the Taiwan experience" as proposed by the "greater China faction."

"If the (mainland) policy is to help mainland people increase income and develop economy, then the policy represents a help in disguise for the CPC regime, by making the regime more capable of surviving," comments T'ien Hung-mao, director of the National Policy Research Center.

The theory about a "greater-China economic sphere" proposed by the "mainland faction" is also unacceptable to the Taiwan faction. According to their view, the key to the forming of economic communities in Europe and in America is the existence of economic mutual benefit in the respective regions. However, after joining a Chinese economic sphere mostly based on "processing," the industrial economy of Taiwan that exports to Europe

and the United States would "still have to buy key product parts from Japan, and sell its products to Europe and the United States, and the result can only be an increase in trade frictions," according to the analysis of a "Taiwan faction" economist.

A commentator conversant with modern history says that Taiwan's government and business people often make the mistake of overestimating their own strength, that Taiwan's businessmen will be quickly "swallowed up" if they really go to all corners of the mainland because the mainland is too big. [passage omitted]

Planning Agency Reports Economy in 'Good Shape'

*OW2508084392 Taipei CNA in English
0756 GMT 25 Aug 92*

[Text] Taipei, Aug. 25 (CNA)—The Taiwan economy was in good shape in July, the government's top Economic Planning Agency reported Monday.

Hung Hui-yen, an official of the Council for Economic Planning and Development (CEPD), said that with the depreciation of the New Taiwan dollar against the greenback and the increase in public investments, the Taiwan economy exhibited no signs of downturn last month.

The CEPD official made the remarks after the private Taiwan Institute for Economic Research published a survey showing that the manufacturing sector faced a slump in July.

Hung blamed the manufacturing sector's weakness on the sluggish world economy and the relatively high comparison base of last year. But she stressed that the overall economy will continue to grow. The ongoing six-year national development plan is the driving force behind the country's economic development, she said.

On July's economic performance, the survey conducted by the economic research institute showed that only 11.5 percent of the manufacturers polled said business was good, 47.5 percent thought it was fair, and 41 percent said it was bad.

The institute's index of leading indicators, which forecasts manufacturing activities three months in advance, stood at 84.63 in July, the lowest level in one year.

On the economic outlook for the next three months, 9.1 percent of the manufacturers polled predicted it will turn for the better, 55.6 percent forecast it will remain almost the same, and 35.3 percent said it will become worse.

New Governor Talks on Policy Orientation

92CM0386A Hong Kong MING PAO in Chinese
20 Jul 92 p 2

[Article by reporter Wu Ai-i (0702 7224 0308): "Chris Patten Wants To Get Concerted Efforts of the Entire Society"]

[Excerpt] [passage omitted] Although the new governor stressed repeatedly that his whole administrative blueprint would not be finalized until he addresses the Legislative Council on 7 October, one thing is quite clear at this time. He places great emphasis on a strong government and on his strong leadership over that government.

To put forward such a wish under the present circumstances requires not only unusual courage, but also some degree of the Don Quixote spirit. Even though he insists on "the dominant role of administration," the government no longer enjoys assured majority support in the Legislative Council. Under such circumstances, how can he guarantee that the Legislative Council will adopt the policies formulated by the government under his leadership?

"That is what I have to strive for," he said with a somewhat solemn expression. "I will try to win back their support. I have a firm conviction, namely, we need a strong government and a strong administrative leadership. A high degree of openness is not contradictory to being responsible to the people. As a matter of fact, being more open and more responsible to the people will make the government and political leadership even stronger."

"This conviction, however, is not acceptable to everyone paying attention to Hong Kong's situation. The challenge I have to face in the next five years is how to have the government policies adopted by the Legislative Council, where the government has no assured majority support. My predecessors never had to face such a situation, but I must try to win endorsement and support for the plan I have drawn up for the future."

Chris Patten admitted that he would do this mainly by persuasion, patient explanation, and reasoning. He also stressed that he would achieve results by acting in a "clear-cut, firm, and resolute" manner.

A measure he would never consider is the formation of a "government party" in the Legislative Council.

"I think I have to go beyond party politics. I have to go beyond leading a political party," said the former chairman of the British Conservative Party. "I think the Hong Kong governor should stand in the van, or as I may put it, stand alone in the van. When the Hong Kong governor addresses the Legislative Council this fall, what he will present is not a declaration of any party or faction, but a declaration of the government."

Government functionaries and departments are another important factor. If the Hong Kong governor wants to have his plan executed by government functionaries, the key to this is also a strong leadership, said Chris Patten.

"I hope that anyone who disagrees with my view will let me know immediately rather than speak out later when it is too late. Many people know that I often have strong opinions, which I express without hesitation. I hope others will do the same. According to my experience, pretending to comply but acting in opposition and hiding the facts from the higher authorities but not those at the lower levels' are common practices when the leadership is weak. Capable government functionaries like a strong administrative leadership."

In his mind, he has a special responsibility to stand before the government functionaries—it is not known if this can be described as "acting as a shield" before government functionaries:

"Generally speaking, government administrative departments must be as open as possible. They must make themselves as approachable to the people as possible. This is an inevitable trend. But I feel that I myself have a special responsibility to undertake. I cannot expect others to go out to urge people of various communities to support my policies."

As to whether it is his priority task to organize his government functionary group, Chris Patten said: "My group is already here. What I have to do is to ensure that they will work with the maximum efficiency."

After speaking a lot about his wishes and overall objectives, however, Chris Patten firmly declined to say anything further about the practical method he would use to meet the challenges and achieve his objectives.

"Stay tuned," he said with a smile. "It has been only eight days since I assumed this post!"

Chris Patten also flatly refused to comment on many questions of urgent and deep concern to the public. An example is that since he has affirmed the Executive Council's collective responsibility principle, the possibility would no longer exist for the United Democrats of Hong Kong to enter the Executive Council. Another question is whether he has a plan to deal with the fact that four Cooperative Resource Center members are already in the Executive Council and, if so, what the plan is.

"Apart from what I have said, I have nothing more to tell you. First of all, I have to discuss the Executive Council's tasks and functions with many people. I have to discuss with them whether the Executive Council has done its best in these two aspects. It will be the next step to discuss the component members of the Executive Council. It think it is quite unwise to guess at this stage who should make up the Executive Council."

It seems that Chris Patten is no worse than any of his high-ranking officials in the skill of "evading questions."

To the vast majority, including those who are eagerly awaiting a new scene to be brought about by Chris Patten, the most interesting key question is how the new governor will deal with relations between China and Hong Kong. To put it more bluntly, the question is: Will he be "tougher" than the former governor? Many people are of the opinion that difference in style alone cannot lead to a real turn for the better.

However, this is the question that Chris Patten is most reluctant to answer directly. While the former governor stressed "dovetailing," Chris Patten likes to say "continued existence after 1997." Asked if there is a substantial difference between the two, Chris Patten said:

"I think it is much easier to describe our goal than to compare my phraseology with that of others."

"I believe I should act and formulate policies within two frameworks: One is the Sino-British Joint Declaration. The other is smooth transition. When I define what is in the best interest of Hong Kong, one of the considerations, I believe, is to keep the Hong Kong people's lifestyle unchanged after 1997. What I have to do is to gain the most extensive consensus from society about the actual meaning of smooth transition' in our minds."

Leaving the general principle aside, we asked another question: May we know to what extent the new Hong Kong governor's initiative is restricted by his intention of obtaining consent from China, taking the new airport issue as an example? Touching on big capital construction projects such as the new airport, Chris Patten said:

"I have no intention of haggling endlessly with China in the next five years as to whether it will support this or that big project. We are fully devoted to completing these projects. Otherwise, we would only waste the valuable time that we could use to do other things, honestly speaking."

However, he absolutely did not mean to say that consultations with China are unnecessary, or that if China is unwilling to support his projects, he would still go ahead as planned. With regard to the new airport project, he knows some people have pointed out that China has, in fact, broken its promise contained in the memorandum on the understanding of the airport issue by not responding to the British proposal within the one-month period. Moreover, he stressed: "The longer the delay, the more difficult it is to complete the project as scheduled. And no delay is without a price." But, confronted with China's persistent disagreement, all he can do is to show his "amazing patience."

It is his firm belief that the new airport project will be completed. He will never give up this project no matter how long it is delayed, and he is quite firm in this regard.

The question of the pace of democratization is even more sensitive. As to whether he would delay this process indefinitely or proceed as planned if he cannot obtain China's consent, Chris Patten's reply was even more cautious:

"I am fully confident in this regard. I will strengthen the efficiency of our government departments and have them play their role to the full so that they can make more concerted efforts in keeping with the plan and persuade others to recognize the fact that this is the road Hong Kong should take. This is my hope. It is also what I am expecting."

"In the next few months, I will discuss these questions with leaders of various political and social groups. My objective is to give an outline in my 7 October speech in the Legislative Council, setting forth the direction that I think we should take. The earlier we arrive at a common ground about the future of our representative system of administration joined by the people, the greater advantage we will gain." [passage omitted]

Allen Lee Discusses Recent Trip to Beijing

92CM0385A Hong Kong TANGTAI
[CONTEMPORARY] in Chinese No 16, 15 Jul 92
pp 48-50

[Article: "A Visit With the 'Leading Figure' of the Cooperative Resources Center (CRC): What Can China Do for Hong Kong?"]

[Excerpts] [passage omitted] In China-Hong Kong relations, we have always advocated communication. Only with communication will there be opportunities to solve problems. This visit was at the invitation of the Chinese side; I remember once, when Chang Chien-ch'an [1728 7003 3123] was leading a group on a visit to Beijing, he also talked about our going up north to visit. So, when the CRC received notice of this invitation, I immediately invited all the members of the CRC to a meeting, and asked everybody to set time aside and go on the visit together. Indeed, everybody did take it seriously, and postponed their other affairs.

During our visit, we mainly talked with Jiang Zemin and Lu Ping [7627 1627]. We talked an hour and a half with Jiang Zemin, and we spoke at length with Lu Ping for four hours. Among the public, there is a rumor that we talked about the question of the CRC organizing a political party, and the question of appointing legislators to the Executive Council, but actually we didn't. In the first place, we felt that, during this visit, we should talk more about the large and real problems that Hong Kong faces. Whether the CRC is going to organize a party is an internal matter, and it is not suitable to discuss it under these circumstances. Also, we don't decide who is appointed to the Executive Council, so we didn't talk about it.

As far as I'm concerned, if this visit by the CRC achieved results in three areas, then that is satisfactory. First, we recommended that China and Hong Kong establish, as soon as possible, a high-level commission on economic

cooperation. This will be of benefit both to the Chinese and the Hong Kong economies, and many disputes involving foreign investment in China can also be handled by this high-level commission. At present, Hong Kong has similar organizations with the United States and Japan, and results since they began operating have been satisfactory. This may have been the first time that the Chinese side heard this suggestion. Lu Ping said that, because this entails questions of foreign trade, he must first talk with the Ministry of Foreign Economic Relations and Trade. I hope this can be accomplished soon.

Second, is to improve China's understanding of the problem of most-favored nation status with the United States. We concentrated on this problem when we talked to Jiang Zemin, because we sensed that there is some distance between China's understanding of this matter and the real situation. China has always taken a hard line in dealing with the United States, indicating that if the United States does not give China most-favored nation status, then China has the ability to retaliate. China does not clearly see that, if the United States does not give most-favored nation status, then the effect on Hong Kong will be far greater than what China can imagine. If Hong Kong gets into economic trouble, then that's not good for China either. Just think, in the Zhujiang Delta, Hong Kong investments now amounts to \$15 billion, and accounts for 61 percent of outside investment; and Hong Kong is rather dependent on the American market. Perhaps China has not given importance to this kind of chain of relationships, but actually its influence could throw Hong Kong's economic and financial arrangements into complete disorder. [passage omitted]

We can also see that the United States uses economic issues to deal with political issues. American politicians are using most-favored nation status to address the issues of human rights in China and arms sales. This is a real and present problem; the United States says it can produce photographs and other evidence. This problem must be approached seriously. When we talk about human rights, maybe it doesn't have any real influence, but the United States does have influence. Therefore, in dealing with the United States, we must follow the rules of the game. We must find suitable channels for making our case. This is a necessary investment. We can't just use the language and methods of hard-bargaining in foreign-policy. Of course, China itself must make some additional practical improvements in its actions.

Third, there is Hong Kong's law and order problem. This is something that everyone in Hong Kong is concerned about. Today, there are machine guns in use, tomorrow there will be grenades, and who knows, there may be tanks the day after that. I think that China has the ability to solve this problem.

Therefore, if we can get good results in those three above-mentioned areas, we will consider that this trip will not have been a waste. [passage omitted]

It was with Lu Ping that we spoke for the greatest length of time. When we were talking about the problem of Hong Kong's future political system, he said there are still some problems to talk over with Britain, and he hopes that the new Governor of Hong Kong, Mr. Christopher Patten, can come to Beijing soon to clear them up. He used the expression "clear them up." However, we mentioned our hope that, among the legislators who will be elected in 1995, and who will ride a through bus to serve through 1997, there won't be anyone who wants to get off the bus in the middle of the trip. When we said this, it wasn't because we were thinking of our own interests. It was because, if someone wants to get off the bus, no matter what side they belong to, we can be sure that it will contribute to instability. On this question, Lu Ping agreed in principle that we must have a smooth succession. [passage omitted]

We also mentioned that, in future Hong Kong affairs, there is one point that must receive constant attention, and that is the problem of civil servants. Whether or not the Hong Kong government's management and functioning is smooth and efficient, will be closely related to the morale of civil servants, and how the future looks to them. I personally feel that China still does not thoroughly understand the mobility of Hong Kong's civil servants. China still does not fully understand the state of mind of high-ranking civil servants, and their decisions to go or to stay. I believe China does not know how many of them have acquired residency rights in Britain. You can't blame the civil servants for this, because they haven't been able to get a grip on what the future will be like. As I understand it, there is still a considerable portion of the high-ranking civil servants who don't want to leave Hong Kong. So, during this visit, we mentioned that choosing future civil servants from among the local people is not enough; it is also necessary to continue using the present civil service system after 1997. This system must also ride on a through bus. Lu Ping also thought that this was necessary. [passage omitted]

On this visit to Beijing, we didn't talk about the question of whether the CRC will organize a political party. [passage omitted]

'Multiseat, Single Vote' System Criticized

*92CM0386B Hong Kong MING PAO in Chinese
13 Jul 92 p 53*

[Article by Legislative Councilor Yang Sen (2799 2773):
"Change in Voting System Aims at Weakening Democratic Force"]

[Excerpt] Members of the Cooperative Resource Center held a news conference to show support for the institution of a "multiseat, single vote" system at the 1995 Legislative Council [Legco] election. The main reason put forth by the Cooperative Resource Center is that this system is comparatively fair because it gives minority and independent candidates more chances to be elected, thus resulting in more balanced political forces in the

Legco. Meanwhile, under the new voting system, political forces favored by the people can still receive support from their voters. There is no need for them to hold most of those seats that are filled by direct election.

From the above argument, it is quite apparent that the Cooperative Resource Center supports the "multiseat, single vote" system mainly because it wants to provide more chances for minority and independent candidates to be elected in the 1995 Legco election, and at the same time, reduce the chances for the democrats to occupy most of the seats for directly elected councilors as they did in 1991. This reason, I think, is open to question.

A Prerequisite Is Required for Proportional Representative System

It is true that the "proportional representative system" is being practiced by some Western democratic countries. Under this voting system, the parliamentary seats won by political parties are proportional to the votes they receive in the general election. This system ensures a certain number of seats for minority candidates in the parliament. Nonetheless, the countries using this voting system all have certain social conditions, which do not exist in Hong Kong; for example, a mature system of political parties, a general election system for all parliamentary seats, and a long history of the election system and election culture. Obviously, Hong Kong has no such social conditions to institute the proportional representative system.

Of course, we can establish the required political party system and political environment, and there is a need to do so. Therefore, we should not brush aside the proportional representative system by simply saying that Hong Kong has no sufficient conditions to implement this system. As a matter of principle, I have said on many public occasions that the proportional representative system can give minority candidates a chance to be elected and enable the parliament to better reflect the real political forces. For this reason, I do not oppose this voting system in principle. However, if we are to institute this system or some sort of modified proportional representative system in Hong Kong, I believe that a prerequisite must exist before the system can be put into practice. That is, in 1995 all the Legco seats are to be filled by general election.

In my opinion, there should be no reason to criticize a system that gives minority candidates a chance to be elected if all seats in the Legco were filled by general election. However, it is quite possible that in 1995 we will have only 20 Legco seats filled by general election, and under such circumstances, I have to oppose the proportional representative system or any other system with a similar effect. Therefore, I firmly object to the "multiseat, single vote" system supported by the Cooperative Resource Center.

In fact, if we look carefully at the distribution of the 1995 Legco seats, we need not worry about the seats for representatives of minority factions. Councilors elected by functional constituency and election groups will represent by and large the voices and interests of most minority factions. I do not understand why it is necessary to design a voting system for minority representatives to be elected to the Legco, where only 20 seats may be available for directly elected councilors.

It Is Rather Hard for the Democrats To Display Their Restrictive Role

If the Legco and the Hong Kong government accept the "multiseat, single vote" system, the Legco composition will be more diversified, and there can hardly be any representatives and political forces in the Legco that are supported by the majority of voters. Under such circumstances, it will be very difficult for the Legco and the executive authorities to reach agreement and for the former to supervise and circumscribe the latter. Once the "multiseat, single vote" system is put into practice, its impact will surely be profound.

Now, everyone can see more clearly why both the pro-China group and the Cooperative Resource Center openly support the "multiseat, single vote" system.

In fact, all concerned have drawn lessons from the 1991 election. The Chinese side and the conservatives are unwilling to see that in 1995 the democrats will win most of the seats for elected councilors as they did in 1991. Because after the 1991 election, the democrats in the Legco have time and again formed a united front, producing remarkable restrictive and balancing effects against the conservatives and the Hong Kong government. If the "multiseat, single vote" system is adopted in 1995, it will be very hard for the democrats to play their strong restrictive and balancing role as a result of the Legco election. [passage omitted]

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