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Dangers in Party, Government Engaging in Business

93CM0296A Beijing ZHENLI DE ZHUIQIU
[PURSUIT OF TRUTH] in Chinese No 4,
11 Apr 93 pp 5-9

[Article by Chen Zhi (7115 2535): "Discussion of Whether Party Offices and Government Agencies May Engage in Business Operations"]

[Text] Can party offices and government agencies operate businesses and enterprises? Originally, there was a clear answer to that question because the central authorities had repeatedly issued injunctions against it and forbidden it in explicit terms. However, changes in the functions of such agencies have given rise to new situations, and some comrades have become doubtful about the ruling of the central authorities. They argue that if party offices and government agencies are to support economic construction as a core concern, they must be allowed to undertake business operations and run enterprises, and that the transformation of their functions also includes the added ability to engage in business and run enterprises. Others argue that party offices and government agencies must not engage in business and run enterprises, but that it may be permissible for agencies in charge of economic administration, such as for those controlling industry, communications, and commerce. Others again believe that all agencies may do so, with the exception of public safety organs, supervisory organs, tax agencies, and other law enforcement agencies. Opinions and views differ. Some party offices and government agencies have in fact already broken the rule of the central authorities. This is an important issue and needs to be thoroughly studied and discussed.

In the following I shall present my own views on this issue, approaching it from three different directions:

1. At present, the tendency that drives party offices and government agencies to engage in business and run enterprises is, together with the craze among the general public to go into business, buy shares, and speculate in real estate, like one huge rising tidal wave. In fact, some party offices and government agencies have already gone into business or started to run enterprises in one of the following forms:

1) The party office or government agency delegates one person and provides him with capital to operate an economic entity, which is directly controlled by the office or agency concerned. There is no strict separation of business finances and government agency finances; they could be blended into one. 2) The government agency establishes an economic entity, which is controlled by the said agency, but is an independent accounting unit, responsible for its own profits and losses, however, by special stipulation required to turn over a certain amount of its profits to the government agency. 3) The government agency invests in an enterprise, takes up shares, and in this way participates in the

business of that enterprise. 4) Cadres of a party office or government agency take up concurrent salaried positions in various economic entities, without giving up their positions in their original party offices or government agencies. 5) Party or government cadres take up shares in an enterprise, and in their status of shareholders take up positions of directors, board chairmen, etc., in the enterprise concerned. 6) Party or government cadres act as brokers in social economic activities and earn commissions.

Assessment of the pros and cons of party or government organs, and cadres serving in these organs, engaging in business and running enterprises must first of all consider the political implications. The party is the leadership force of the state; the various branches of the party constitute the organization that must implement the political line and the general and specific policies of the party; they are all organizations of a political nature. State agencies are part of the organization of people's democratic dictatorship; they are also organizations of a political nature. The fact that party and government organs engage in business and run enterprises gives the impression that the organization of the communist party and the organization of state power are gradually shifting to become economic organizations. If party and government organs want to engage in business and run enterprises, the tendency of this shift is something that can be reversed no more, while the consequences of the shift will be enormous and serious. It would mean that party and government organs will possibly neglect, or will cease to focus their primary attention (possibly even be unable to do so anymore) on consolidating state power, on consolidating the internal unity of the various nationalities, on maintaining the stability of the social order, on maintaining the state of stability and unity, or on the regulatory functions with regard to social economic activities. It would mean that the leadership of the party and the function of people's democratic dictatorship would possibly be weakened. Lenin's well-known dictum: "Politics has to take precedence over economy," (*Lenin's Works*, vol 40 p 279) is of course true under certain conditions, such as when faced with the urgent task of seizing state power or consolidating state power, it is then of real urgency. However, when it happens that during a period of consolidation of state power, signs appear that indicate that state power could possibly be eroded, the said saying is again for us too of an enlightening relevance. Development of the economy itself is an important political task, while the people's democratic dictatorship is the assurance for the accomplishment of the said political task. The task of economic development must rely for its accomplishment on the strengthening, and not see any weakening of people's democratic dictatorship. The objective to be accomplished through economic development is identical with the objective of people's democratic dictatorship. If the dictatorship of the proletariat is weakened for the purpose of economic development, it will not be possible to ensure success in the economic development.

Another drawback of party and government organs engaging in business and running enterprises is that it will easily engender power-dominated business. We may even say, that as soon as we allow party and government organs to run enterprises, power-dominated business can no more be avoided. Newspapers reported that a highly placed comrade of the State Council recently pointed out: "Some of the persons that are dismissed in the course of organizational retrenchments transfer to units of commercial and industrial enterprises, and a considerable number of these commercial and industrial enterprises transform themselves into corporations, but these corporations are still controlled and managed by the original government departments from which they had originated. This kind of a reform may be taken as some kind of a separation of government administration and enterprise management, but the result still is a power-dominated business. Some have for this purpose organized conglomerates, have appointed former deputy ministers and department heads as board chairmen, and incorporate subsidiary enterprises into these conglomerates. The single enterprises which may originally have had some powers of their own, will in this way become bereft of all power." We may well say that this is power-dominated business, because the managerial power that the state organ had possessed was not at all transferred down to the enterprises (or if transferred, it was taken back), and the administrative head of the original state organ will personally control and manage the enterprise and make direct use of the administrative powers of the original state organ to engage in business and run the enterprise, thus interposing power into the market economy. The separation of government administration and enterprise management will thereby become a sham.

Investigations in some places have shown that power-dominated business is exercised in a great variety of most unpredictable ways. In some cases the powers of office are used to overcome obstacles, to engage in power plays, and in money transactions. It is said that by the normal routine it would take you at least a year and a half to get a new commercial enterprise started in Shenzhen, but since there are so many people with connections to the various government departments, giving them 100,000 or 200,000 yuan could smooth the way and get you a commercial business license in a very short time. Some use fiscal resources and enterprise funds to manipulate things in the area of circulation, thus becoming veritable "official racketeers." Some use the powers of their office to fraudulently corner the market for goods in great demand and then force their subordinate units to buy the commodities at high prices. According to some data from Hebei Province, profits in such a case had been 30 percent higher than the profits earned by another unit in the same line of business. Some use public funds to acquire shares, so that when a loss is incurred it is for account of the state, but profits will be individually shared as bonus. Some get shares for contributing power and influence, and get dividends without investing capital. Some give and take bribes.

Some change the ownership character of the enterprise to evade taxes. Some travel for enterprise projects, seek investment, promote sales, all at public expense. In all these machinations, most profitable and also most harmful is the racketeering that goes on in the area of circulation.

The corrupting influence of power-dominated business on party and government organs is very obvious. It induces party and government organs to devote their energy primarily to the pursuit of profits, and has them neglect the long-range objectives of the party and the political tasks of state power. This is bound to gradually change the proletarian character of party offices and government agencies. It spurs on party and government organs to misuse power, and for the purpose of making money, it undermines party discipline and state law, harms the interests of the people, and drags the country down into the quagmire of decadence and decay. It seduces many party and government cadres to change their former world view, has them bow to the supremacy of money, has them put profit-making above everything else, and has them become prisoners of the bourgeois life style. Power-dominated business will aggravate the condition of decadence. At present the unhealthy tendencies in party and society at large have not at all been overcome, the struggle against decadence is still an arduous task. Efforts to establish honest and clean government have just been initiated, and if power-dominated business is allowed to spread unchecked, the consequences are dreadful to contemplate. Power-dominated business can also impede the development of the socialist market economy. Where power-dominated business reigns, exchanges at equal value will be shut out, and the principle of a market economy with fair competition will be overturned, while power-dominated business will control the markets. In places where power-dominated business prevails, the state's macroeconomic regulation of the economy will also in some regions become ineffective because of the intrusion of the power of local authorities and departments. By its very nature, power-dominated business is a backward economic phenomenon of feudal character.

Yet another drawback of having party and government organs engage in business and run enterprises is that it easily causes losses to state property. At present, registered capital that is reported in applications for the establishment of a company is mostly state property, while most party and government cadres are not experienced in business and enterprise management. Once a loss is incurred, nobody else but the state will be out of luck. If there would be only one or two incidents of loss, it would not matter much, but if large-scale operations result in large losses, it would mean huge losses for the state.

The broad masses of the people oppose power-dominated business. The BEIJING WANBAO published a satirical poem which reflects this mood of the people, it went somewhat like this:

"State agencies start up commercial entities, an action which they now call 'plunging into the sea' [in the meaning of taking up a mundane profession]. State units provide funds; they separate, but the 'offspring' is still not yet weaned from its 'mother' unit. One vigorous 'plunge into the sea,' can bring lots of substantial benefits; a man's rank will go up, and he will immediately become a 'big shot.' Main business is no more 'main,' subsidiary business is no more 'subsidiary.' Draping oneself in the flag to impress people, speculating in steel materials, talking big talk; with one telephone call earning big money without any effort. The state agency is like a big ship, having a life-belt around one's waist, so that if there are only losses and no profits, one can get immediately and safely to shore. No one can possibly drown here, ha, ha, 'plunging into to sea' like this will really pay off!"

This mood among the masses should have the attention of those in relevant leading positions.

Precisely because power-dominated business obstructs the development of market economy, all Western developed countries have strictly legislated against public officials engaging in business. For instance, in France the provisions of the "General Law on Public Officials" prohibits any public official in office to engage in his official capacity in any remunerated private activity. In Japan, the "Law on State Functionaries" stipulates that an official must not serve as executive, advisor, or consultant in a business, industrial or financial enterprise or in any other private enterprise, corporation, or other profit-oriented organization, and may also not himself operate a profit-oriented enterprise. Britain prohibits its public officials from participating in any kind of commercial or financial speculative activities. The United States restricts the holding of concurrent jobs by stipulating that the annual extra income of a public official must not exceed a certain ratio of his annual salary. These provisions are obviously enacted to conform with the needs of market economy and to serve the market economy.

The attitude of the Chinese Government has all along been clear and definite in the question of whether public officials may engage in business and run enterprises. Between 1984 to 1989, the CPC Central Committee and the State Council have issued 22 documents on this question. Contents and spirit in all these documents had been uniform, namely to the effect that party and government organs and their cadres must uphold the principle of separate responsibilities of government administration and enterprise management, and the separation of official administration and commercial activities. They absolutely forbade to use the powers bestowed by office, in violation of party and state regulations, to engage in trade and run enterprises, to pursue profit-oriented activities, and to compete with the civilian sector. As the purpose of these regulations, the central authority documents point out that the leadership organs at all levels of the party and the government shall "in the proper manner exercise their functions of leaders and

organizers of the economic construction." Judging by present conditions, it is even more necessary to ensure the sound development of the socialist market economy by upholding and implementing the regulations which prohibit party and government organs to engage in trade and run enterprises. To resolve new situations and new problems that have arisen in the course of transforming functions of state organs, it seems necessary to start out from the realities and to revise and supplement some of the regulations. However, the basic content of the said documents must not be altered and the principle expressed in the said documents must be upheld and must not be relinquished. It would be best to complete legislative procedure as quickly as possible, so as to have these principles become law, and to provide not only restrictive articles, but also punitive provisions, so as to make these rules more effective.

2. Various state agencies are presently in the process of readjusting their functions to conform to the demand of making economic construction everyone's central concern, so that they may render even more effective service to the cause of reform and opening to the outside world. Party offices at all levels too must meet the needs of reform and opening to the outside world and must also effect the necessary streamlining of their administrative structure. During this process of shifting functions and structural reforms, a large number of cadres will be released from party and government organs and will transfer to positions in various kinds of economic entities. This transfer of cadres is quite different in nature from the earlier mentioned engagement in trade and running enterprises, because it has this group of cadres leave the party or state organs (permitting a transitional phase), and enter the economic entities as private individuals, and this will have no influence on the change of functions or the exercise of functions by the state agencies that they have left. These transfers will be beneficial in several respects:

1) The method will have a substantial and beneficial effect on the retrenching state organ in that it will solve the long-standing problem of finding other positions for the cadres affected by the retrenchment. 2) It will very substantially enrich leadership strength and key position strength in various kinds of economic entities and provide qualified personnel to a number of newly established economic entities. Since the founding of the PRC, this is yet the first time that so many party members and state cadres with administrative leadership experience or professional knowledge will devote themselves to economic endeavors. The infusion of so much talent into entities of the state-owned economy or collective economy will certainly strengthen its vitality and have it assume a new overall aspect. 3) In the same way as a large reservoir of military talent was nurtured during wartime in the past, it is now, when so many cadres will undergo training and tempering in the fields of production and circulation, that a large contingent of skilled and knowledgeable economic talents will be emerging to serve as reserve force in the development of the four modernization projects.

The ongoing transfer of cadres is undoubtedly a move in the right direction; it will have a long-term beneficial effect on the development of China's socialist undertaking.

Of course, some problems that will arise in the course of these shifts must be resolved while maintaining a realistic and responsible attitude. The most important of these problems is severing all connections between outgoing personnel and their former units. There are now some places that explicitly prescribe that cadres transferring to economic entities must completely sever their connections to their former units. However, even more places use the "nondrastic method." This would leave unchanged for a certain period of time (two years or three years) the outgoing cadre's position, rank, bonus, quarters, and urban census register at the original unit, and have him merely receive salary at his new post, or have even salary still paid by the original unit, but have him only receive bonus at the new position, and then have the connection completely severed after two or three years. The purpose of adopting this transitional method is to allay the cadre's fear of endangering his family's subsistence. It looks as if it is necessary to do so, because many cadres who for years have done party work or administrative work and now engage in business or run enterprises are: a) inexperienced, b) lack professional knowledge, and c) have no social connections. If they now suddenly take the "plunge into the sea," it will be as if they find themselves in a vast ocean and do not know how to swim. They need some time with a life-belt to learn how to swim; having learned it, they may be left to fend for themselves. If they were abruptly cut off from their rear connection, it would really not be the proper way to treat cadres, and many cadres might shy away, as it would also adversely affect the reform efforts of the party and state organs.

However, there are here two limits that must be clearly outlined. One is that the outgoing cadre must for absolutely no reason, at no time, and under no condition, use the powers of their former position to gain illicit income or personal benefits in his new unit or for himself. In other words, he must not trade power for personal benefit. The other limit is that the transitional measure must in no way alter the long-term measure, i.e. the transitional period must not be too long, when it expires, there must be an end, and severance of connections must definitely take place.

3. Some places (mainly at the county level) have stipulated that administrative agencies in charge of rural population affairs, of industrial, communications, trade, science and technology affairs may be allowed to run

economic entities. The usual method is to detach two-thirds of the agency's personnel to run the economic entity, and leave the remaining one-third to attend to the affairs of the party office or government agency. The persons that are detached are mostly the capable and strong ones, and most of those left behind will be the old and feeble ones. A party or government organ of this kind, although still an administrative organ, will be different from the normal party or government leadership organ; they will perform economic or technical work, their task will be to directly serve production, and fundamentally they will not undertake tasks of a political nature that are not directly related to production. There are indeed some benefits in having party and government organs of this kind detach some of their personnel to run economic entities, provided it does not adversely affect fulfillment of their administrative tasks. The experiences and lessons which they gain from running economic entities may be used to improve the administrative work of the agencies concerned, and could also be used to help other economic entities. It may, therefore, as a consequence strengthen the original service functions of these agencies, strengthen their relations with the masses, while lessening the occurrence of other negative effects. Generally speaking, this is a method that deserves to be advocated. However, there are two problems that must be given attention: One is that when the majority of people leave, especially if key personnel leave, the former administrative effectiveness of the agency may be weakened. Taking rural population affairs of the counties as example, their main administrative task is to carry out the party's agricultural policies and to check their implementation; if problems arise they are to immediately remedy them or report to higher authority, guide and readjust the cultivation plans for the entire county, allocate and apportion the various means of production, etc. If the mentioned tasks are not properly attended to, even if the economic entity is successful, criticism may be justified for their not attending to their proper duties. We must not, therefore, "save a little and lose a lot." The second problem is that in this kind of an agency, the economic entity must sever all financial relations with the original agency, must have an independent accounting system, and must be responsible for its own profits and losses. Otherwise, the whole agency would be transformed into a commercial company and lose its original administrative function, and would also automatically lose the controlling powers of the state within the sphere of the administrative agency in question. The method of "one driver-and-horse outfit with two different license plates" is not advisable, because that would quite possibly blur and render indistinct the administrative functions of the original party or state organ.

Wang Meng Criticized for Rightist Influence on CPC

93CM0297A Beijing ZHENLI DE ZHUIQIU
[PURSUIT OF TRUTH] in Chinese
11 Mar 93 pp 15-18

[Article by Zuo Qian (1563 6692): "A Critique of Wang Meng's Influence"]

[Text] During the last Lantern Festival, when comrade Jiang Zemin met with representatives of literary and art circles, someone was heard to say that the problem of bourgeois liberalization was nonexistent in the cultural community, and that it was unfair to accuse literary and art circles of such a serious deviation when bourgeois liberalization could not possibly emerge in these circles. His reasoning for this was that most of the representatives at the Fourth Literary and Art Conference were Communist Party members.

Generally speaking, the more members there are, the greater the guarantees that CPC policies will be implemented, but this is also dependent on particular party members. During the Fourth Literary and Art Conference, party members were also heard to say that "Fei e po lan [phonetic] should be implemented," that is, that we should be tolerant of harmful thought and speech. It is common knowledge that Lu Xun was diametrically opposed to this idea during his time. He wrote his essay, "Fei e po lan [phonetics] Should be Postponed" after considering someone's advocating "Fei e po lan [phonetic]."

During this era when we are building socialism, matters are naturally different than in Lu Xun's time. Everyone realizes this from what we went through at the end of the 1950's, especially during the "Cultural Revolution," with its "left" teachings. But if harmful thoughts have been irradiated, from where do the controversies arise? We can see this very clearly from the lessons of the new era of Chinese Socialist Construction, especially the lessons of the disorders of 1989.

Chinese revolutionary art circles have a history of several decades of struggle. A large group of party writers, artists, and organizers went through many trials. In the past, they did a considerable amount of work in the period of socialism, and made a great many contributions. We can say that in general, party members in the arts community, and even the entire arts community, were good. However, consider this: if only one, two, or three percent among them have the tendency to bourgeois liberalization, and if those members were in leadership positions or otherwise influential, what would happen then? After the mid 1980's, such party members were indeed a small minority, and it was obvious how small a role they could play in literary and art circles. The Beijing disorders during the late spring of 1989 were directly related to the long period in which we were flooded with bourgeois liberalization. Of course this was not limited to the cultural community, but it does have some responsibility for it. We all know that there were members of the art and literary circles among those

making incendiary speeches at Tiananmen. Many of these were also party members, of considerable influence and social position. After they fled abroad, they continued their anti-party, anti-China activities, and members of the art and literary community were not in the minority here either. How can anyone refute these facts?

The facts teach us that it is not only the number of party members which is important, nor their titles, but rather whether each member's true actions be compatible with his title. This is especially so for party members in leadership positions, and they should be viewed in this way, for their influence is so much greater, whether good or bad. A long time ago, a comrade remarked sadly that if the cultural community took the lead in bourgeois liberalization, the problem would indeed be critical. It looks like this is by no means just scare talk. After the mid-1980's, due to the existence of this reality, and because a small number of people in high leadership positions turned a blind eye, or were inclined to ignore and even protect these people in the cultural community who were pushing for bourgeois liberalization, what they were saying was, "Don't bring up weeding out cultural pollution, and don't bring up countering bourgeois liberalization." The consequences of this can now be seen as clearly as a blazing fire!

"We cannot die without getting to the Huang He" has been denounced by people, but there now are people who have reached the river, but haven't given up the idea.

Not long ago, there was a book circulating on the market titled *Memorandum on Guarding Against the "Left,"* edited by Zhao Shilin [6392 1102 2651], and published by the Shanxi Shuhai Publishing House. It included an essay by Wang Meng [3769 5536], titled "Response to Questions From Japanese News Agency Reporters." This was located first in the volume, and was also what newspapers today customarily call the "leader," serving to fix in the reader's mind that this is the most important essay in the entire book. And, according to what is stated in an advertisement-type of leaflet (or a leaflet-type advertisement) which has very recently come to hand, this *Memorandum on Guarding Against the "Left"* is "the first time that the grand masters of the world of letters have made common cause," which underlines the importance of Wang Meng's responses to the reporters' queries.

Wang Meng's responses to the reporters involved a great many questions, but what especially catches the eye are the several questions which relate to Wang Meng's view of the "calming of the storm" in 1989:

Senbaoyu [2773 0202 5940] (hereinafter referred to as "Sen"): The question I have could be a sensitive one. Three years ago, after the 4 June incident, you resigned your position as Minister of Culture. There were reports that you refused to express support for the PLA's imposition of martial law, and resigned your position as a protest against the suppression of the democracy movement. Can you explain a bit why you chose to resign your position at that time?

Wang Meng explained that in 1988 he had already begun to "talk over and test the waters" on his resignation, and officially brought it up on 1 October 1988. He went on to explain his reasons for his actions at that time. But the

Japanese reporter Senbaoyu relentlessly pursued what he himself termed a "sensitive question," and his dialogue with Wang Meng follows.

Sen: You refused to support the PLA's suppression at that time...

Wang: I was ill at that time, and requested sick leave.

Sen: If you were not ill at that time, would you have considered...

Wang: If I had not been ill at that time I would have considered the matter under conditions of health; since I was ill, I considered things in a situation of illness. Moreover, I wish everyone would focus their eyes on the present, and on the future, especially since this new trend towards opening and reform has emerged in China, and has brought with it a time of new hope."

I recall that several years ago a critic for a Shanghai periodical published a critique of Wang Meng, the gist of which was that Wang Meng's "intellect" was very high; he reveals just as much of his thoughts as he conceals. I admire this critic's resourcefulness. Now, when I read Wang Meng's responses, I believe the critic was right on the mark. This shows us clearly that on the subject of the "calming of the storm" in 1989, Wang Meng does have his own opinion, but it was not convenient for him to express it directly, while his "intellect" was indeed sufficient to allow him to extricate himself from a difficult position.

But Senbaoyu still would not give up, and continued to pursue his questioning of Wang Meng: "How do you evaluate the events of three years ago?"

Wang Meng thereupon went into a lengthy discourse about such things as "the only course for China is to continue opening and reform, to continue maintaining stability," and expressed his support for Comrade Deng Xiaoping's "series of speeches"; and finally said, "Let's talk more about the present and future, all right?," and the "sensitive question" of "three years ago" was closed.

As everyone knows, this "sensitive question" was clearly resolved three years ago by the central authorities and Comrade Deng Xiaoping. Comrade Deng said, that this was a case of bourgeois liberalization and the four basic principles being in opposition. This is obvious. More and more, the facts prove that reactionary forces in the highest offices in the United States are directly interfering, and supplying the funds to reactionary elements in our country in an attempt to overthrow China's socialist system. This is a soul-stirring political struggle relevant to the continued existence of China's socialist system. Although some people are still puzzled by this phenomenon, and for the time being are unclear about the nature of the disorders, everyone can still believe that every good Chinese, every Chinese who cherishes socialism, will become increasingly clear on the issue,

and increasingly correct concerning "evaluating the events of three years ago." But what is Wang Meng's attitude?

In Wang Meng's discussion with the Japanese reporter, he did not forget to mention that he was "currently the Vice-Chairman of the Chinese Writers' Association," and "mainly a writer in the cultural community," and while he had after all taken on the position of Minister of Culture for the People's Republic of China, and was a member of the CPC Central Committee (at the time of the interview with Japanese journalists the 14th Party Congress had not yet opened), what is surprising is, concerning the vital question of the future of Chinese socialism, his attitude is still ambiguous!

Still, while his "intellect" is high, one's innermost thoughts must in the end be revealed, and it is usually hard to avoid "what you want to hide" becoming easily exposed.

The person who thinks that there is no bourgeois liberalization in the artistic community, who believes that we only have to give someone the title of party member and he will act like one: Wang Meng is the perfect example of this kind of person, and makes our thinking even more clear.

The overseas leaders of "democratic organizations" who are crying out every day about redressing the 1989 "democracy movement," want China's leaders to recognize their "errors"; domestically, it is inconvenient for such people to speak out openly about this, so they have to avoid it temporarily. Therefore, they speak in euphemisms, and those overseas leaders of "democratic organizations" are all very sensitive, and naturally understand the true meaning of their counterparts in China.

The advertisement-style leaflet (or leaflet-style advertisement) that I spoke of earlier at its beginning has the following four-line motto:

"The 'left' is bad for the nation, shocking, With many bad activities, an endless black mark The great masters of the cultural community, have joined to counter the 'left.' Their views are so accurate, their writings so marvelous."

We can put aside other "marvelous writings," as well as the best works of Wang Meng, and draw our conclusions solely from his attitude towards the "calming of the storm" in 1989. We can't help but ask: don't you think that in 1989 the "shocking, bad activities" of the "left" were also bad for the nation" or a "black mark"?

People still worry that several party members, "important writers" in the artistic community holding high party positions, are promoting bourgeois liberalization, are promoting a foul atmosphere in the artistic community. Sometimes it can reach the level of "shock" which is "bad for the nation." The facts have already proven this.

NATIONAL AFFAIRS, POLICY

Article Looks Back, Ahead for Ways To Control Economy

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[Article by Qiu Xiaohua (6726 2556 5478) and Wan Donghua (9001 2639 5478), Macroeconomic Analysis and Forecasting Task Force: "A Look Back at the Economy in 1992 and a Look Ahead to the Trend in 1993"]

[Text] Guided by the important remarks of Comrade Deng Xiaoping during his travels in south China in early 1992, and the spirit of the NPC Standing Committee and the 14th Party Congress in March, the pace of reform and opening to the outside world accelerated further, economic construction thrived, and the national economy witnessed complete, sustained, and high speed growth. Initial forecasts call for a gross domestic product [GDP] of 234 billion yuan for a 12 percent increase over 1991 at comparable prices. This year-round turn for the better in economic returns, and the very good overall economic situation create a fine beginning for another new step upward during the 1990's in marked contrast to the sluggishness of economic development worldwide.

1. Basic Character of Economic Performance in 1992

Propelled by the great tide of reform and opening to the outside world, the economy continued to operate on the fast track throughout the year, exhibiting the following several characteristics:

(1) Secondary industries led the way in industrial economic growth accounting for more than 60 percent of total growth.

Preliminary estimates call for a secondary industry added value of 1.1098 trillion yuan for the whole year. Figured at comparable prices, this is a 19.1 percent increase—a remarkable growth rate. The growth of secondary industries accounted for 65.3 percent of the increase in economic growth. The added value of industry for the whole year, up 19 percent from 1991 (which had a GDP increase of 22.5 percent), made 1991 the year of fastest growth during the past 14 years of reform and opening to the outside world. Industrial production was characterized mostly as follows: (1) Heavy industry grew faster than light industry in a trend toward greater strengthening of heavy industry; (2) uneven regional development, the tilt in favor of coastal areas being most marked; (3) uneven development of industries under different forms of ownership, nonstate owned industries exhibiting ultra-high speed growth; (4) steady increase in energy production, maintenance of fairly steady growth in the production of raw and processed materials and capital goods, and steady increase in principal light industrial manufactures; (5) gradual turn for the better in the matching of production and sales of industrial goods for substantial revival of a

normal level; and (6) fairly great improvement in the economic returns of enterprises.

Steady growth of the primary industry. Increase in the value of agriculture for the whole year was 565.8 billion yuan, up 3 percent from 1991 at comparable prices (a gross output value increase of approximately 4 percent). Farming, forestry, animal husbandry, sideline occupations, and the fishing industry all saw bumper harvests. Gross output of grain for the year reached 885 billion jin, up 1.7 percent from 1991 (an output increase of approximately 14.6 million jin). Cotton output fell 17.3 percent to about 4.7 million tons because of drought and insect infestations. Gross output of oil-bearing crops was 16.05 million tons, down about 2 percent. Sugar, tobacco, jute and ambari hemp, fruit, and vegetables all showed varying degrees of increase. Animal husbandry and fishing industry production increased steadily. Output of pork, beef, and mutton for the year totaled 28.6 million tons in an approximate 5 percent increase. Aquatic products output was 14.6 million tons, up approximately 8 percent. Number of main kinds of livestock in inventory increased, and city residents' grocery baskets were fuller. The bumper harvest in agriculture made for a more relaxed farm products supply and demand situation, which helped economic and market stability.

Quarter-by-quarter growth of tertiary industries. Quarterly growth included a 5.6 percent growth during the first quarter, a 7.7 percent growth during the second quarter, an 11.5 percent growth during the third quarter, and a 9.4 percent growth for the year as a whole. Businesses, the food and beverage industry, and posts and telecommunications, as well as finance and banking, insurance, real estate, and consulting services showed substantial growth. Nevertheless, tertiary industry growth lagged behind development of the economy as a whole. In particular, railroad transportation was inadequate, becoming a bottleneck in economic growth in urgent need of improvement.

(2) A look at economic growth in terms of the pull of demand show marked increase in the guiding role of investment, its direct and indirect influence accounting for approximately 60 percent of economic growth.

Preliminary estimates call for a total investment of approximately 730 billion yuan in social fixed assets for the year in an approximately 33 percent increase. The main features of investment for 1992 are as follows: (1) High speed development of investment by units under ownership of the whole people, investment in renovation and technological transformation growing faster than investment in capital construction, and increase in individual investment remaining relatively steady. (2) a higher increase in investment in local projects than in central government projects, the percentage rising; (3) extrabudgetary investment growth that is markedly faster than investment within budget and accounting for more than 90 percent of investment. (4) faster increase in investment in tertiary industries than in the primary

industry and secondary industries, the tertiary industry percentage of the total increasing; and (5) a rise in the percentage of investment in basic industries and infrastructure, but a decline in the percentage of investment in energy.

The great increase in investment stimulated growth in the production of capital goods. For 16 months, heavy industry grew more than light industry, its new increase in value for the year accounting for 56 percent of the newly added output value of all industry. Investment in capital goods such as electromechanical products like metal cutting machines, industrial boilers, motor vehicles, and internal combustion machinery, as well as in construction materials such as processed steel and cement showed an ultra-high speed rate of increase. The increase in production by large- and medium-sized enterprises that serve as important production bases for energy and raw and processed materials, and by important equipment sectors of the national economy also accelerated markedly. Capital goods markets grew between 2 and 3 percentage points faster than consumer goods markets.

By comparison, consumption demand was slack, domestic market sales exhibiting flat growth. Social commodity retail sales for the year totaled 1.08 trillion yuan in an approximate 15 percent increase over 1991. The overall pattern of a supply of consumer goods in excess of demand did not change. Market competition changed, quantity becoming less important than variety, quality, styles, and price. Competition centering around the kind of service provided and market information also intensified.

(3) Economic growth looked at in terms of the ownership structure showed a rise in the contribution of the nonstate owned economy to economic growth, this contribution accounting for approximately 60 percent of economic growth.

With intensification of market orientation reform, the nonstate owned economy suddenly rose to prominence and became stronger, its speed of growth steadily increasing, and its percentage markedly increasing to make it a major force impelling growth of the country's economy. In production, agricultural production was almost entirely part of the nonstate owned economy; and nonstate owned enterprises in the industrial sphere exhibited ultra-high speed growth. Production in industries under collective ownership increased 33.2 percent for the year (township-operated industries growing 52.2 percent, their sales income, profits and taxes, increasing more than 40 percent). Industrial production in the economy under other types of ownership grew 54 percent, their growth rates being 13 percent higher than that of state-owned enterprises during the same period. The output value increase of industries under collective ownership and industries under other types of nonstate ownership combined rose to 60.3 percent of the total industrial output value increase versus 56.8 percent in 1991. Broken down by area, the provinces that exceeded

the national average growth for the year were Jiangsu, Zhejiang, Fujian, Shandong, Guangdong, Guangxi, and Hainan. All were provinces in which nonstate owned economy township and town industries and three kinds of partially or wholly foreign-owned enterprises were fairly well developed and accounted for a substantial portion of total industry, their newly added output value accounting for more than 55 percent of newly added output value nationwide. Eighty percent of this newly added output value came from light industry. In the commodity circulation field, the nonstate owned economy participated actively in market and commodity circulation reform on a large scale, gradually becoming a major market entity. The nonstate owned economy accounted for 60 percent of total social commodity retail sales for the whole year, and the increase in regional sales also exhibited a tilt toward regions having a large nonstate owned economic component. Civilian-owned transportation enterprises also developed very rapidly.

(4) A look at the economy in terms of the direction of flow of economic growth showed the percentage of the externally oriented economy rose markedly.

The formation of a pattern of opening in all directions and large scale removal of restrictions closely cemented China's relations with the international economy. (1) Foreign trade increased by more than 20 percent. Imports and exports totaled \$165.6 billion, up 22.1 percent from 1991 and accounting for 39 percent of GDP in a 3 percentage increase over 1991, the degree to which economic growth is dependent on the international market thereby rising further. This included exports totaling \$85 billion, up 18.3 percent from 1991. Imports totaled \$80.6 billion. The make-up of exports and imports was further optimized, exports of industrial manufactures accounting for 80 percent of the total. Border trade and barter trade became increasingly brisk, new advances made in opening up more and more export markets. The export mix improved, more raw and processed materials in short supply in China such as processed steel, processed copper, and processed aluminum, as well as machinery and transportation equipment being imported. (2) Use of foreign investment increased tremendously, the number of investment projects expanding, the impetus toward direct foreign trader investment becoming stronger, foreign exchange earnings from other than trade increasing steadily, and the volume of foreign exchange trading that is not state-controlled markedly increasing. New contacts were signed for 40,000 foreign investment projects having a negotiated value of \$58 billion, both the number of projects and the amount of money involved being more than twice the 1991 amounts. Actual foreign investment used was more than \$16 billion in a more than 50 percent increase. (3) International tourism boomed, the number of tourists visiting China, and the amount of foreign exchange earnings from tourism increasing by 14 and 30 percent respectively over 1991, an all-time high.

(5) Looked at in terms of distribution of economic growth returns, the earnings of the populace rose again, and the percentage going into public funds remained relatively steady.

City and countryside income increased faster than the rise in prices, the standard of living continuing to rise. A preliminary estimate shows total wage earnings of 388 billion yuan for staff members and workers for the year, up 16.7 percent from 1991. City and town residents' per capita income for living expenses was about 1,800 yuan. After adjustment for price rises, the actual increase was approximately 7 percent. Rural residents' per capita net income was approximately 770 yuan. After adjustment for price rises, the actual increase was approximately 5 percent. Preliminary calculations show a residents' cash income increase of approximately 56 percent of the amount of economic growth. As of the end of the year, city and countryside savings accounts may contain as much as 1.14 trillion yuan, up 24 percent from 1991. The steady increase in income lays a foundation for further improvement of the standard of living of city and countryside residents. Actual consumption for the year was about 8 percent more than in 1991; the populace's awareness of the need for investment became stronger, payments for items other than goods increased, and the make-up of consumption began to move in a sensible direction.

The nation's public finance situation was fairly steady. Forecast receipts and expenditures for the year will exceed the annual budget, the deficit possibly slightly exceeding the 20.8 billion yuan called for in the budget.

2. Basic Judgment About the Economic Situation in 1992

All in all, 1992 was a year in which the national economy went from all-around upturn to high speed growth. It was a year in which reform and opening to the outside world, and the building of the economy scored marked achievements. The development momentum was positive but uneven. The economy was hot in coastal regions, but fairly steady inland; investment was hot, but consumption was steady; industry was hot, but agriculture was steady; and the cities were hot, but rural villages were steady. Consequently, overall economic performance today remains within basically rational limits.

(1) There was a certain objective inevitability about the high growth of 1992.

First of all, in terms of the policy environment, the high speed growth of 1992 was founded on growth under a new situation of reform and opening to the outside world. Both the important remarks of Comrade Deng Xiaoping during his travels in South China, and the spirit of the 14th Party Congress infused new vitality into the development of China's economy and provided a more relaxed political environment for it. This gave powerful impetus to the growth of economic reserve strength.

Second, in terms of the foundation for economic growth, the pent up energy of the three years of improving the economic environment and rectifying the economic order provided rather good material conditions for the high speed economic growth of 1992. On the one hand, during the three year period of improving the economic environment and rectifying the economic order, agriculture produced bumper harvests for three consecutive years, and the favorable balance of foreign trade increased, savings rose tremendously, and the supply capabilities of basic industries such as energy, and raw and processed materials rose appreciably. In addition was several years in a row of insufficient effective demand, a low industrial production capacity utilization rate that provided a greater potential for increased output. At the same time, looked at in terms of the position in which economic development found itself, economic development for the previous several years had been rather slow, 1992 being a period of upturn in the economic cycle in which an inertia toward fairly rapid economic growth existed.

Furthermore, looked at in terms of the quality of economic growth, high speed growth brought gradual improvement in economic returns. As economic growth quickened and enterprise reform deepened, enterprises paid more attention to market performance. This was manifested in a sales output value increase that remained higher than gross output value increase, a sales income increase that remained higher than the current price gross output value increase, and a decline in the number of days turnover for finished products funds. This showed that the rise in the speed of production did not occur at the cost of draining away credit and the accumulation of large amounts of goods in inventory. In terms of enterprises' economic returns, it halted the sustained slide of the previous several years, returns becoming better and better with each passing month. The merchandise sales rate for independently accounting enterprises at the township level and above nationwide for the first through the third quarters was 89.8, 93.8, and 96.4 percent respectively. For the period January through November, it was 94.33 percent, production matching sales at a nearly normal level. It is estimated that virtually no new inventory build-ups will occur during 1992, and that the 8 billion yuan of abnormal inventories will be wiped out. New current year inventory amounts to only about 5.6 percent of GDP, the lowest figure for the past several years and close to the 5 percent normal level. Of course, the industrial structure is not entirely completely consistent. Heavy industry got rid of somewhat more inventory, and some increase occurred in light industry and agricultural inventories. A substantial amount of the current industrial inventory is left over from previous years, and some of the inventory is clearly a dead loss, so the actual amount of goods in inventory is somewhat less.

Nevertheless, some rough spots exist in the economy's current high speed growth, notably the ever more serious transportation limitations, a widening shortage of some

raw and processed materials, and the accumulation in inventory beyond normal limits of some products of light and textile industries. This suggests that the current economic growth speed is a little too high and a little too hot in some respects.

(2) More stringent total demand relative to total supply, but a percentage that is still basically within acceptable limits for macroeconomic regulation and control.

Preliminary estimates show a total social supply for the year of 2.7427 trillion yuan, up 18.9 percent from 1991, and a total social demand for the year of 2.924 trillion yuan, up 21.9 percent, demand greater than supply by 6.6 percent, or slightly more than 1 percentage more than the normal range. This results largely from somewhat relaxed public finance and financial policies for a time. The current year imbalance between public financial revenues and expenditures remains prominent, the amount of money put into circulation exceeding the all-time high. The net issuance for the whole year will be more than 100 billion yuan, the amount of currency in circulation at the end of the year increasing by more than 30 percent. Nevertheless, overall, the current relationship between total supply and demand remains within the range that macroeconomic regulation and control can control.

First, the consumer goods market continues to be a limited buyers' market in which the supply of an overwhelming majority of goods is in balance with or greater than demand. A Ministry of Commerce analysis of the supply and demand situation for principal commodities in the commercial sector for the second half of the year shows a supply less than demand for only 5 percent of 539 different major industrial products. For 101 main agricultural and sideline products, supply and demand are basically equal, or supply is greater than demand for 84.2 percent. Both market sales and the populace's propensity toward consumption are fairly stable.

Second, the international balance of payments is basically normal, the country's spot exchange balance remaining at a fairly high level, and estimated to be more than \$20 billion for the year. In particular, the amount of foreign exchange in the hands of enterprises and individuals has markedly increased. Residents' foreign exchange savings alone exceed \$8 billion showing sources of foreign exchange in society to be fairly comfortable.

Third, the fiscal deficit for the year as a percentage of GDP remains at the approximately 1 percent level of 1991. The current increase in the fiscal deficit has come about on a foundation of overall increase in national economic strength, and a fairly rapid rise in people's income. Actually, it is a manifestation of fairly great changes in the national income distribution process, rather than a total amount problem.

Fourth, looked at in terms of monitoring macroeconomic prosperity, the economy is still in the "yellow light zone," mostly resulting from a somewhat too high

increase in industrial production, in the money supply, and in investment. Other indicators are basically normal, showing that the economy overall has not overheated, and that macroeconomic regulation and control is possible.

(3) Trend toward rise in the generally stable overall market price level, and increase in latent inflationary pressure, but still in the stage of steady accumulation; likelihood of turning into a real threat within the near future not great.

As the vitality of the economy and the intensity of price reform increased, market prices rose in 1992. In particular, city and town prices went higher. The cost of living for staff members and workers for the whole year will be 8.5 percent higher than in 1991. This includes an approximately 11 percent rise in 35 large- and medium-sized cities. However, for society as a whole, because rural market price movements are relatively stable, and since the pattern has not change in which the supply of consumer goods is greater than demand has not changed, the overall level of price rises is still within normal limits, the cost of living of the populace increasing approximately 5 percent over 1991. The overall retail price level rose 5.3 percent, and can be controlled within the 6 percent required by plan. The price formation mechanism was substantially reformed in 1993, so the rise in prices is founded on the state's fairly wide-ranging removal of price restraints and a substantial rise in the prices of commodities and services for which demand elasticity is slight instead of being driven by social demand. Today, more than 80 percent of prices are market regulated, which helps make the pricing system sensible. Therefore, the extent of price rises is also within the predicted limit, in addition to which the degree of increase in income is somewhat larger than predicted, so the rise in prices has not gone beyond the ability of the public to bear them.

Of course, the trend of development also shows some latent problems that should be looked at. One problem is that the increase in the money supply far exceeds economic growth. Calculations show that money supply in the narrow sense, M_1 , for the whole year (i.e., cash plus current accounts) increased by approximately 35 percent, but the economic growth rate was only about 12 percent, so even after taking into account normal factors such as the rise in prices and the slowing of the speed of money circulation, the money supply increased more than 10 percentage points beyond the normal limit for a continued increase in inflationary pressure. A second problem is an increase in cost-driven pressures. Because of the increased demand on intermediate input products resulting from high speed economic growth, particularly the high speed growth of investment, plus the intensity of state readjustment of means of production prices, prices of capital goods rose markedly. The purchase price of raw and processed materials, fuel, and power increased more than 10 percent during the second half of the year for the highest rise since March 1990. Price system means of production prices for the whole year rose approximately 13 percent over 1992. At the same time, driven by the prices of products in the production

pipeline, the ex-factory prices of industrial goods also rose month by month, rising 5.4 percent in March, 5 percent in May, 6.4 percent in August, and 8 percent in November over the same months in 1991, a price rise of about 6 percent predicted for the whole year. This shows that price-driven pressures have begun to be let loose. A third problem is that the dynamics of price movements show an increase in the price rise trend. First is a change from the negatively driven spontaneous market price rises of 1991 to the positively driven ones of 1992. Country fair trading prices rose 2.2 percent in 1992, but fell 1.8 percent in 1991. Second, since the beginning of the fourth quarter, the rise in rural market prices has increased markedly, already reaching about 6 percent, showing an increase in the positive effect of rural prices on overall price rises. Even so, since supplies of consumer goods are plentiful, public consumption remains in the fairly steady stage. With proper adjustment, changes in market prices for some time to come will exhibit a pattern of stability with a trend toward rise. The likelihood of intense fluctuations is relatively small, and the release of latent inflationary pressure is very likely to be gradual.

While affirming that operation of the macroeconomy is basically in the normal mainstream at the present time, note must also be taken of some new problems meriting attention that have arisen in the course of high speed economic growth, as well as some latent factors for instability. In addition to the large amount of currency put into circulation, and the large rise in urban prices and prices of the means of production, these problems are mainly as follows:

1. A still not solid agricultural foundation. On the one hand is the large amount of farmland taken over for other purposes, the cultivated land area possibly decreasing by as much as 10 million mu for the year. On the other hand is an intensification of the structural imbalance between supply and demand in agriculture, a decline in the rate at which funds are made available for the purchase of farm and sideline products, a shortage of funds for this purpose, and increasing difficulties selling the products. This means the reappearance of IOUs for farm product purchases, a drop in farm product market prices, and steadily rising production costs that produce a drop in economic returns from agriculture that is damaging to the interest in farming of all parties concerned. The energies of leaders in most places will then be concentrated on investment and industrial production, agriculture being neglected.

2. Too many newly begun investment projects, the tendency toward an irrational investment structure appearing once again. As of the end of November, there were new 49,870 capital construction and renovation projects underway throughout the country costing more than 50,000 yuan each, these newly begun projects accounting for 45.9 percent of all construction projects. In consequence of these many newly begun projects, as of the end of 1993, 2.64 trillion yuan worth of construction will be underway, up 37.4 percent from 1992,

unfinished projects increasing 50.2 percent. In addition, quite a large number of the just begun projects are for the production of goods already in plentiful supply. Analysis of projects costing more than 1 million yuan shows that new processing industry projects account for 60 percent of secondary industry projects. New cotton textile, wool textile, and cigarette production projects, which national government documents concerned specifically forbid, number 100. In addition, a real estate and development zone craze has risen everywhere. Provinces, municipalities, prefectures, counties, and even townships and towns are vying with each other in these fields in which there is a potential risk of high inputs and low outputs. This does not help shorten the construction cycle, improve the investment mix, or increase returns from investment, but rather it has a deleterious effect on the steady growth of investment in 1993.

3. Trend toward greater limitations on some infrastructure and basic industries. The shortage of railroad passenger and freight transportation capacity is worse. Railroads ability to provide cars fell from 77 percent in 1991 to 65 percent in 1992, and on key sections, the rate was even lower. Passenger transportation was overcrowded everywhere. In coastal ports, ship back-ups and port congestion recurred, the ratio between operating ships and waiting ships rising from 1:0.8 to 1:1.25.

In addition, macroeconomic regulations is unable to keep pace with microeconomic changes. The various "crazes" that occur in economic life cannot be strongly channeled as they must be, and the building of an economic legal system is not yet complete; consequently, evidences of turmoil have appeared in some aspects of the economic operating order.

The existence of the foregoing problems is superficially an accompaniment to high speed economic growth, but actually these problems reflect the failure so far to straighten out various economic relations, and the failure so far to fashion restraint mechanisms in the process of changing from old to new mechanisms. The macroeconomic regulation and control system still being unable to meet needs in building a socialist market economy. Generally speaking, these problems are problems that come with moving ahead. Their solution lies in further intensification of reforms in various regards. This also shows that changes in the economic situation have reached an extremely crucial stage. If macroeconomic regulation and control is done properly, the zeal of all quarters guided well, the national economy will be able to develop rapidly and well in the course of overcoming the foregoing problems. If regulation and control, and guidance are done poorly, the current partial slight overheating will turn into full overheating that will lead to an interruption of the high speed economic growth process. This must be avoided at all costs.

3. Economic Development Trends in 1993 and Recommended Macroeconomic Regulation and Control Remedies

In looking ahead in the new year, there are both numerous favorable factors and some unfavorable factors for economic development. However, overall, the economy is likely to maintain fairly high speed growth.

First, the favorable factors: the important remarks of Comrade Deng Xiaoping during his travels in south China, and the spirit of the 14th Party Congress have spurred, and will continue to spur, the development in breadth and in depth of reform and opening to the outside world throughout the country for a further increase in the vitality of the economic system. Second is a marked increase in the conscious efforts of all quarters to implement the party's basic line, high enthusiasm for the acceleration of economic development, and greater concentration of energies on economic work. Third is no change in the 1992 pattern of fairly rapid economic growth, notably the bumper harvests in agriculture, the steady growth of light industry, and a consumer goods supply that is greater than demand. In addition is a basically normal international balance of payments situation, and problems that are not too large in the total supply of energy and of raw and processed materials. This will provide fairly good material support conditions for economic development during 1993. Fourth is the fairly large lag effect of social demand in 1992, particularly the increase in investment demand, and the steady upturn in consumption demand, which will play a strong role in pulling the economy in 1993. Fifth, the cyclical pattern of economic development suggests that 1993 will continue to be a period of fairly rapid development. Generally speaking all the objective conditions are in being for maintenance of a fairly rapid speed of economic growth in 1993.

Second, the factors restricting high speed economic growth: First is the high speed growth of 1992 occurred against a background of fairly low speed growth during the previous several years. It made use of a considerable amount of means of production in inventory. However, this factor will be weaker in 1993. In particular, the continuing marked limitation that the shortage of transportation causes will further restrict the economic operating climate. Second is a widening of the 1992 gap between a demand that was greater than supply, and an increase in market prices will create substantial pressures in 1993. Third, the economic system is still in the period of shifting gears between the old and the new. Many not entirely rational situations still exist in both the macroeconomic mechanism, and in the macroeconomic regulation and control system. The trend toward headlong expansion has not been completely eliminated, on top of which the development of markets is not yet complete. This makes for latent instability in economic development. Fourth, thanks to the revival style growth of 1991, and the high speed development

stage of 1992, the base figure for economic growth has risen markedly. In addition, various imponderables in the changing world political and economic pattern remain difficult to comprehend.

We believe on the basis of a comprehensive examination of the favorable and unfavorable factors in the operation of the economy that China's economy is likely to maintain fairly high speed development during 1993. The year 1993 will be a high speed growth year for the entire national economy, but the economic climate will tend to tighten further, credit and investment on too large a scale, and too much rise in prices placing considerable pressure on steady economic development late in the year. Therefore, macroeconomic regulation and control during 1993 will require that certain microeconomic regulation measures be taken to guide the economy to a proper path of growth. Overall, guided by the spirit of the 14th Party Congress, maintenance of both fairly rapid and fairly good development of the economy and avoidance of serious inflation will have to be the regulation and control objectives. The policy orientation should give priority to reform, steady development, structural improvements, attention to results, and expansion of the opening to the outside world.

(1) Maintenance of Total Overall Stability; Sensible Understanding of the Limits of Macroeconomic Regulation and Control.

On the basis of historical laws, taken together with consideration of some new elements during the present period, as well as full consideration of the needs of reform, stability, and development, we recommend use of the following quantitative limits for regulation and control of national economic performance during 1993:

- Suitable reduction of anticipated speed. Control of economic growth speed at around 9 percent is about right, achieving a 4 percent growth rate for agricultural production, and holding the growth of industrial production within 15 percent, tertiary industry growth speed possibly being somewhat faster, to avoid an even greater impact from the creation of bottlenecks as a result of overly high speed economic development.
- Maintenance of stable growth of investment. Maintenance of a 16 to 18 percent nominal investment growth rate (an actual 6 to 8 percent investment growth rate) is about right, the lower limit of investment being maintained at no lower than 840 billion yuan, and the upper limit controlled within 860 billion yuan. This is a larger scale of investment than plan calls for, mostly because of consideration in three regards: from the use angle, only such a scale of investment can ensure the needed demand pull for increase in supply. From the availability of capital angle, about 400 billion yuan can be siphoned away from social commodity purchasing power alone to create favorable conditions for the conversion of consumption funds into investment funds. From the angle of the relationship between total supply and

demand, the basic balance can be maintained, the difference between greater supply than demand controlled within 5 percent. Market price rises may also be controlled within 7 percent.

- Credit policies must be properly tightened. Credit increase must be controlled at between 390 billion and 400 billion yuan; and currency issuance should be controlled within 80 billion yuan.

(2) Use of readjustment of total increase as the centerpiece for increasing investment in the production of goods in short supply for better structural readjustment.

Bottlenecks and the not completely rational orientation of investment in new projects have become major stumbling blocks in the way of economic growth, and they will hurt long-term economic development. Although maintenance of fairly high speed growth of investment will increase the shortage of goods already in short supply during the near term, it will also provide an opportunity to make structural readjustments the key, properly laying in handling the direction of investment. One way of doing this at the present time is to improve the way the state invests, doing a good job of regulating and controlling the orientation of investment. Another way is to meet requirements for the development of a market economy, using tax rates, interest rates, foreign exchange rates, prices, credit, and such economic levers to a greater extent, and using to the full the role of differential interest rates, and investment orientation taxes to readjust the structure, thereby rationally guiding the flow of nongovernment funds into basic industries. A combination of investment inducement measures including the intensification of reform, greater use of discounting, and shareholding is suggested to increase the intensity of the investment of public funds in regulating and controlling the industrial structure. Given the unreliability of price signals and the incomplete formation of a market system today, this will help remedy the lack of indirect regulation and control, and correct the unbalanced structure. At the same time, the pace of reform of the investment control system must be accelerated, using coordinated measures such as investment legislation and other fiscal and financial policies to realize the principle that those who invest stand to gain and bear the risks, linking responsibilities, rights, and benefits; regularizing the investment actions of all investment entities, and toughening the investment limitation mechanism, thereby solving the problems of duplicatory construction at a low level and mindless expansion of industries that produce products already in plentiful supply.

(3) Energetic improvement of agriculture to advance the sustained and steady growth of agriculture.

China's economy is a classic dual economic structure in which the performance of the rural economy—particularly agricultural production—has a direct bearing on the overall national economy. Actions must be taken to put an end to evidence that some areas are neglecting agricultural production, and to overcome the tendency of some leaders and the public to restrict

peasants unduly from doing business or working in industry. The key to stabilizing agricultural production lies in stirring the interest of the peasants in production. This requires, first, further improvement of all agricultural production policy measures to create a fine climate for the steady development of agriculture. Second, it requires guiding the investment of capital, doing all possible to get all sources of investment to support the growth of agriculture. Third, it requires quickening the pace of reform of agricultural markets in an effort to increase peasant income. Fourth, it requires vigorous development of agriculture that produces foreign exchange, actively taking part in the movement of agricultural products internationally to ease the difficulty selling problem.

(4) Use of reform as the principal means of accelerating the building of a new socialist economic system and operating mechanism in which the allocation of resources is done primarily through the market.

During the present stage, emphasis must be placed on the transformation of enterprises' operating mechanisms to enable enterprises gradually to become principal market entities responsible for their own operating decisions and responsible for their own profits and losses, main investment entities, and main operating entities that actively advanced all coordinated reforms. (1) Enterprises must really have the right to make their own operating and management decisions. The holding back of authority level by level under various pretenses must be guarded against. Effective outside monitoring mechanisms must be set up and perfected, and the legal system must be improved to halt arbitrary external interference in enterprises. (2) Close attention must be paid to macroeconomic reform of planning, finance and banking, investment and public finance, and to comprehensive associated reform of enterprise mechanisms. It is recommended that currently favorable opportunities be seized to accelerate through reform of the finance and banking system, creating a central bank, banks of a policy nature, and commercial banks as a market economy requires for the fashioning of a financial system under centralized regulation and control of the central bank in which there is greater appreciation of the risks and concept of benefits from currency operations. (3) Markets should be fostered to accelerate the establishment and perfection of a nationwide, open market system that includes commodity markets, financial markets, labor markets, technology markets, information markets, and real estate markets, and improvement of market control regulations. (4) Reform of the social security system must be intensified to create conditions for further advances in enterprise reform.

(5) Active participation in international market competition, striving to regulate domestic supply and demand.

First, in order to meet requirements for entering GATT, close attention must be given to good building of economic laws and regulations having to do with the outside world for better regulation and control initiative. Second

is energetic improvement of product quality, and improvement of after-sale services to maintain steady export growth. Third is attention to optimization of the make-up of imports to avoid too great a surge into China of foreign consumer goods. Second is improvement of the investment climate, efforts made to attract direct investment from abroad.

Enterprise Accounting System To Undergo Major Changes

93CE0576A Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 4, 23 Apr 93 pp 40-42

[Article by Wu Hong Guang (2976 5725 0342), State Commission on System Reform's Department of Policy Laws and Regulations: "China's Enterprise Accounting System To Undergo Major Changes"]

[Text] **Editor's note:** On 1 July of this year, China will implement a new enterprise accounting system. This will have a massive affect on the business activities of innumerable enterprises. This is a brief introduction to the new system's major content and significance. The author suggests that in order to guarantee the implementation of this new system, the tax burden for state-owned enterprises should be lowered from its present level of 33 percent about 25 percent. This will permit these enterprises to relax a bit and build up their strength. [end editor's note]

The State Council has approved the issuance of "General Rules for Enterprise Accounting" (briefly titled "General Rules"), and "Standard Rules for Enterprise Accounting" (briefly titled "Standard Rules"), to be implemented beginning with the second half of this year. This will implement an important part of the "Articles for Transforming the Operational Mechanisms of Industrial Enterprises Owned by All the People," (briefly titled "Articles"). According to the "General Rules" and the "Standard Rules," setting up a new enterprise accounting system is a systematic change in the course of reforming China's enterprises.

The newly issued "General Rules" and "Standard Rules" are in accord with our goal of establishing a socialist market economic system in China, centered on transforming enterprise operational mechanisms, abruptly abandoning the planned economic system, and starting to build an enterprise accounting system which suits the needs of a market economic system. The new accounting system breaks the bonds of the various forms of enterprise ownership, implements unified planning for various enterprise accounting systems, and will promote fair competition among enterprises. Compared with the systems currently in operation, the new system will primarily bring about the following several changes:

There will be changes in the basic business accounting of enterprises. Old enterprise accounting was through the balanced model of "the source of funds equals possession and use of funds," that is, you cannot have funds to use

until you have a funding source. It embodied the fact that under the planned economic system, enterprises' funding sources were unitary and the way in which they were used was strictly planned and controlled. Conversely, the new enterprise accounting system selects the balanced model of "assets equal debits plus the owner's interests and rights." This completely alters the basis of business accounting, to meet the demands of the market economic system. At the same time, it also overcomes the past malpractice of balance sheets not reflecting the true situation for some enterprises' fiscal profits and losses.

It establishes a system of capital maintenance. Authorized capital funds are set up in the new accounting system, that is, funds registered for enterprises. Such matters in enterprise business activities as profit and loss inventory, allowance for depreciation, etc., cannot change at will along with gains or reductions in enterprises' capital. This is totally different from the way it has been done under the old system, where similar activities demand increases or decreases in state funds, to ensure that the enterprises' capital and the owners' rights and interests will be complete.

It cancels the boundaries on enterprises' internal use of capital. In the current enterprise accounting system, internal funds are divided into state fixed assets, state liquid assets, enterprise fixed assets, enterprise liquid assets, and some special use assets. Each kind of asset has a different use, special funds for special uses, special accounts in reserve, and they cannot be exchanged. These items chiefly embody government departments' direct control of enterprises, limiting the development of production. The new system breaks through these boundaries. It does not further distinguish among the nature and use of various kinds of funds, and will be useful in raising the beneficial results which enterprises derive from their use. Enterprises will come to have the full rights to make use of their own funds.

It will change enterprises' cost accounting methods. In the old system, Chinese enterprises have used the overall cost method, in which costs are closely controlled, and content excessive, and latent losses are easily produced. The new system uses the manufacturing cost method which is in general use internationally, with the scope of the calculations only about that of the original workshop costs. At the same time, it allows enterprises to accumulate reserves against bad debts, embodying the moderate principles in general use internationally. This will then help enterprises to raise their market consciousness and risk consciousness, and also help enterprises to overcome nominal profits and make real profits. It will truly force enterprises into the market and basically alter their operating system.

It establishes that enterprises' accounting statements and reports will be in accord with international practices. Enterprise accounting statements and reports under the old system chiefly meet the demands of the state's macroeconomic management, but neglect the benefits of

enterprise investors and creditors. There are too many goals, and, there is no way to make cross-comparisons of data. The new system employs such things as balance sheets, profit and loss sheets, statements of changes in financial situations, etc., in its enterprise accounting statement and reporting system; this is in keeping with the general international method. It will aid in making maximum use of enterprises' accounting information. The implementation of the "General rules" and the "Standard rules" will, by implementing the "Articles," change the enterprises' system of operations and establish enterprise rules which will be in accordance with a socialist market economic system. At the very least it will have the following actual effects:

It will clarify property relationships, protect owners' interests and rights, and assist enterprises to really become the main part of the market. The new system clarifies capital funds, and establishes preserving capital as a principle. Under any conditions of enterprise operation, the owner's interests and rights are always equal to the enterprise's property minus its debt. That is to say, everything contained in the property either belongs to the creditor's interests and rights or the owner's interests and rights. Thus, the property relationships are very clear. This is of benefit to the owner's supervision of the property's stability and appreciation, guaranteeing the owner's legal rights and interests. At the same time it will also help establish an effective system for managing the stability and appreciation of state-owned property.

It makes it practical for enterprises to assume full responsibility for their profits and losses. The new system sets up an enterprise capital registration system, that is, enterprises will acquire the necessary conditions for qualifying as a legal person, and they will gain the prerequisites for taking full responsibility. When enterprises make money, the owners will benefit according to how much interest they have in the business; when money is lost, their losses will correspond to those interests. When an enterprise goes bankrupt, its investor responsibility is only for the enterprise's legal capital limitations. This achieves what is required for state-owned enterprises' "assuming responsibility for operating and managing property awarded by the state." From the system, it fulfills the enterprises various financial rights. An important part of fulfilling enterprises' right of self-initiative is their financial rights, that is, their right to full use of their funds. The new accounting system thoroughly abolishes the restrictions on use of enterprise funds; so long as they have the money, they can spend it on anything they deem necessary. This way, the system achieves the "Articles" proposal that enterprises "have the right to determine for themselves the proportion and use of whatever funds they have remaining after taxes." This embodies the position of enterprises acting as independent product manufacturers and operators.

The parity standard for enterprise operations effectiveness will be more objective. Due to the manufacturing cost methods in general use internationally, product

costs include only direct materials, direct wages, and manufacturing expenses, while sales expenses, management expenses, and expenses for financial affairs are all directly handled as part of current profits and losses, and not calculated into product costs. Regardless of how a product's sales are, profit and loss results can all be reflected accurately for the current period, so that enterprise managers can readily and quickly grasp their profit and loss situation, increasing their sense of cost-cutting urgency and risk.

Looking at the actual situation of present state-owned enterprises, the implementation of the "General Rules" and the "Standard Rules" may well bring out some new conditions and problems, requiring serious resolution. I have several ideas on this:

Concerning enterprise tax rates: what the "General Rules" and the "Standard Rules" implement is the form of tax revenue cash flow, but a large obstacle to the current flow is a 33 percent tax rate that is still regarded as excessive, more than most enterprises can bear. I recommend that at the same time the new system is put into effect, the tax burden be eased for state-owned enterprises; a rate of about 25 percent would be more suitable.

Concerning enterprise capital budgeting rights: under the new accounting system, enterprise budgeting of their own funds is unrestricted; if an enterprise has the money, it can on its own initiative use it for such things as capital construction, development of production, technological transformation, repayment of loans, supplementing their liquid funds, and payment of wages. At the present, China's macroeconomic adjustment methods are still not strong enough, and enterprises as the main part of their operations are still insufficiently familiar with the environment of market economic competition. For this, we can consider and stipulate some appropriate policies, on the one hand strengthening the state's macroeconomic adjustment capabilities, and on the other hand coordinate the enterprises' rights to use their own funds.

Concerning the contract responsibility system: the contract responsibility system is the operational currently used by the great majority of enterprises in China, and has been of maximum use in reforming China's economic system, especially the reform of enterprises. What kind of effect implementing the new accounting system will have on the contract system is very worthy of attention. All enterprises welcome the contract system because they can use a "contracted base number" to bring back their operational self-determination. Usually, we say that "a contract brings instant benefits," that is, after the contract is signed, the enterprise will correspondingly be awarded the right of self-determination where its funds are concerned, and go on to increase its economic benefits. After the new accounting system is implemented, an uncontracted base number can have the right of self-determination. Even more importantly, enterprises will not again be restricted by a mission that is "unchanged for the long term," allowing them more

flexibility in determining their production and management activities. This will undoubtedly be good for those enterprises which will "become a merchandise manufacturing and operational unit which is legally self-determining in operations, self-responsible for profits and losses, self-developing, and self-restricting."

Concerning enterprise interest rates: After the new accounting system is implemented, the scope of product costs will be reduced to manufacturing costs, while sales costs, management costs, and financial costs will all be calculated directly as part of that period's profits and losses. The result will very possibly be a reduction in enterprise cost expense interest rates, with a simultaneous decrease in output value interest rates as well. This could put in an even more precarious position those state-owned enterprises which are now in a situation of low profits and funding shortages. Even if we decide that it would be better to cut down on financial income and also establish the new accounting system, we still should consider some stable transitional measures.

I recommend that first of all we formulate a tax collecting method for state-owned enterprises. Consider unifying the accounting systems of enterprises of all types, with an orderly allocation of their after-tax interest. The overall tax rate for state-owned enterprises could be set at 15 percent, and the allocation of profits for ownership of state-owned property could be set at 10 percent. This would be more normal.

At the same time, we might consider postponing collecting the 10 percent allocated profits for state-owned property, giving state-owned enterprises the chance to recuperate and build up their strength. These actions by ownership would in no way violate the regulations for fair competition in the market economy.

Concerning the stability and appreciation of state-owned property. After the new accounting system is implemented, two new conditions will appear with regards to the rights and interests of the ownership of state-owned property:

One, the new accounting system clearly stipulates the orderly allocation of enterprise interest after taxes, which should be: fines, compensatory deficits, collection of legally stipulated excess profit public funds, collecting funds for public welfare, and allocations to investors. Here, the enterprise interest after taxes compensates for operational losses, and after the collection of funds for public welfare, if there is little or no interest, then the allocation to investors, which is the owner share of interest and benefits cannot be realized or will be very little.

Two, in the new accounting system, the ownership rights and interests are equal to enterprise property minus the debits. So, in the enterprise business activities, if the debt load increases quickly, wage payments (including bonuses) grow too large, while interest increases are unfavorable, then ownership's rights and interest could

very possibly be reduced gradually. Looking at the current situation of China's state-owned enterprises, this situation could possibly happen.

To deal with the above two scenarios, we should move quickly to set up a management model and system for state-owned property which is focused on the latter's stability and appreciation. The first step to consider is we should stipulate clearly that the concept of stability, in reference to state-owned enterprises, is the extent of the increase in ownership rights and interests should not be lower than the interest rates on bank loans. For the concept of appreciation, the extent of the increase should be higher than the interest rates on bank loans. Otherwise, stability and appreciation are meaningless. In this way, state-owned property can move steadily from management of material forms to management of value forms.

PROVINCIAL

Xinjiang Enterprises Struggle To Survive Amid Chaotic Markets

*93CM0348C Urumqi XINJIANG RIBAO in Chinese
7 May 93 p 6*

[Article by Du Yuanfeng (2629 0337 6912): "How Can Enterprises Survive in Such a Climate?"]

[Text] I recently toured several state enterprises in Beitun, from which I gained the impression that the disorderly market climate was keeping enterprises from fair competition, leaving them with problems that no one was interested in and thus, having trouble surviving.

The Unresolvable Triangular-Debt Problem Keeps Funds in Short Supply

A certain construction group in Beitun is a grade-3 building-construction enterprise, which had paid no wages by March. When employees wanted to go to Altay to sign a contract on 15 March, they actually had no money to buy even gas for the trip, so that the group chief was forced to pay out of his own pocket. According to a briefing by the group leader, military and local units have owed it over 2 million yuan in construction funds for as long as five years.

Due to tight money, a certain repair shop could not get a loan from the Agricultural Bank (AB), while being in urgent need of importing materials. So in order to survive, the shop mobilized its employees to raise 50,000 yuan, in addition to doing all it could to borrow 30,000 yuan from the People's Construction Bank (PCB). And while the PCB agreed to the loan, it had to set up a PCB account and, as the repair shop was also an old customer of the AB, the enterprise was left in a double bind.

As All Those With Power and Money Are Running Companies, Fair Competition Is Difficult

Diving into the sea of business to run an economic entity is now a popular topic in the discussion over moving from the government administration office to the business street. From the end of 1992 through March 1993, the small town of Beitun saw the establishment of a dozen or so economic entities and shops of various types. While these are publicly-, privately-, enterprise-, and institution-operated, the thing that state enterprises fear most is enterprises run by institutions with power and money.

A certain bank set up a new steel-window plant, with its hired workers being the technical core of another plant. As the pay was good, all workers with technical skills wanted to work at this plant. This presented the old enterprise with two major headaches: 1) A loss of technical talent that had taken years of effort to train. 2) The bank-produced steel windows were certain to be more marketable than those made by the other steel-window plant. A steel-window plant manager said that: "In order to acquire a production license and inspection certificate, we had to spend tens of thousands of yuan. So how can these other units go right into operation at once?"

A certain business-management administrative unit wanted to set up a water-heater installation company. When this news got out, all of the employees in the construction group's installation team wanted to transfer to this new company. This was clearly because the construction group was a poor enterprise with long-standing unbearable nonbusiness expenses and many retired employees, with employed workers not being paid more than a few months a year. So who would not want to go to work in a newly-organized enterprise with rich funding?

Chinese certainly do not fear competition. But the problem is that while the old system has still not been dismantled and the new socialist market economy has not yet been established, particularly as power and money are determining actions, it is often very hard for competition to be on a level playing field.

Officials Who Are Not Entertained Properly Immediately Cause Problems

A certain factory leader told me the following story with a wry smile. A certain quality-inspection team came to Beitun in 1992, with the steel windows produced by this factory being designated substandard products simply because the team was not wined and dined in the right restaurant. After an emergency discussion, the factory leader decided to wine and dine them in the right restaurant, and to grit his teeth and present them with a red package. This proved very effective, as the inspection team immediately brightened up and the products were designated standard at once.

Later, when a leader got angry about this and wanted to report it to the authorities, a comrade who knew the

formidable connections urged him not to on the very simple grounds that, when the "monks" have left, the "temple" is still here, and if one is reported another will come. And who can guarantee that the new inspector will not cause trouble? So it seems that the popular jingle "good food and drink make for very good quality" is certainly not just talk.

Commentator Urges Implementation of Xinjiang Enterprise Rules

*93CM0348A Urumqi XINJIANG RIBAO in Chinese
11 May 93 p 1*

[Commentator article: "More on Implementation"]

[Text] As to why policies are not implemented, in addition to the leadership's ideology not being in line with the policies, another reason is "mid-level obstructionism." This so-called "mid-level obstructionism" means that policies are blocked and intercepted at mid-level links, so that they are not smoothly implemented in grass-roots units. The phenomenon of "mid-level obstructionism" is a major roadblock to the implementation of policies.

While this "mid-level obstructionism" in policy implementation has many manifestations, (this article will use only the one example of the implementation of the "Regulations on Converting the Operating Forces of Large and Medium-Sized State Enterprises" [abbreviated hereafter as "Regulations"]).

While business management must be separated from government administration so that enterprises will have operating independence, they (the responsible administrative-sector leadership) are against this and act in exact opposition, by keeping business management tied to government administration, through turning out company (enterprise) leaders, and acting themselves as part-time chairmen of the boards and presidents, in a contemporary replay of "the leopard cat replacing the crown prince."

In structural reforms, staff cutbacks, and the making of real service entities out of government organs, they take advantage for their own advancement by going all out in running "renamed companies." These "renamed companies" are reform in name, but a refusal to separate business management from government administration, a merging of officialdom with commerce, and an attempt to use one's public office for personal gain in reality. While their arms are impressively covering up their "monopoly" wrinkles, the shades of power behind them are faintly obvious. As to enterprises, these "renamed companies" are like "a mother-in-law at the front door and a grandfather at the back," leaving the insignificant-wife enterprises in even worse shape.

While government leaders announce at mass rallies that certain powers have been devolved, meaning that examination and approval are not necessary as long as there is government registration, certain administrators have a

strong thirst for power which, once it is in their hands, combine with interests regarding the power that the government has devolved as bargaining chips in working for personal or departmental interests, which means taking from enterprises. If enterprises do not "bleed" for you, they are of no use to your record, so that you "withhold your blessings" from them.

"Everyone is considered to be bigger than the enterprise." Even the insignificant in neighborhood offices can run large enterprises. These administrative "celestial beings of all types" arrive at factories where they must be seen by factory managers who, unless they wine and dine them or even give them small gratuities, are considered to be "haughty," so that their enterprises need to be "put in order."

Unhealthy tendencies, the "three arbitrariness" in particular, severely obstruct the implementation of policy. 1) Mandates. Office redecorations, car purchases, and year-end fund shortages all require money from companies and enterprises. 2) Forced apportionments. When offices publish books, enterprises are ordered to purchase certain numbers of them; when bureaus build office buildings and dormitories, their subordinate enterprises are forced to provide vehicles for hauling bricks and mortar; and subscriptions to publications are mandatory. 3) Arbitrary charges. There are all sorts of conference fees, with charges for issuing high-quality product certification and handling contract labor or contract-extension formalities, and "success fees" being collected for handling employee-transfer formalities, which come in a host of ever-new pretexts.

While this "mid-level obstructionism" has a great many manifestations, the abovementioned six are the most representative. As the damage done by such "mid-level obstructionism" is obvious, now should be the time to bring it under control.

As many policies are reform policies, controlling "mid-level obstructionism" and implementing policies will mean speeding up and intensifying reform. The key to implementing the "Regulations" will be further converting government functions to have an economy that is run by law. This will mean delimiting all departmental jurisdiction, by dismantling and merging organs in which functions overlap or services are similar; certain professional business-management sectors must be ordered to organizationally withdraw from their government systems by converting to economic entities or trade associations, in order to break their ties that restrict enterprises; as to the "empty shells" whose functions have been converted or whose authority has been devolved, their "incense" must be removed and their "temples torn down," in order to prevent the vicious cycle of streamlining—expansion—restreamlining. We also need to rationalize property-rights relations by speeding up the reform of enterprise property-rights forces, in order to essentially resolve the problem of excessive government interference, so that enterprises

can become genuinely independent operators. Government departments that violate the "Enterprise Law" and the "Regulations" should be dealt with according to the severity of the case and the damage done, all the way to investigating and affixing criminal responsibility.

We need to reorganize "company groups" and revoke the government functions of "renamed companies." We oppose the company groups in which former industrial management bureaus are headed by current administrative industrial companies and all subordinate enterprises are forced to join, and such mandatory affairs should be broken up.

The advocacy for "one pole reaching all the way to the bottom" in policy implementation does not necessarily mean that all levels have to draw up detailed rules, regulations, and plans. While some regulations drawn up by localities, trades, and departments are apparently fair, they actually intercept authority that ought to be devolved. All detailed rules and regulations that violate the "Regulations" should be abolished.

As long as the higher leadership pays attention to speeding up structural reform and the lower levels exercise public oversight, we will be able to solve the chronic problem of "mid-level obstructionism." The day when the chronic problem of "mid-level obstructionism" is solved will be the time when policies are implemented.

Hopes, Problems of Stock Experiment in Xinjiang

93CM0348B Urumqi XINJIANG RIBAO in Chinese
10 May 93 p 1

[Article by Wu Xuan (0702 2467) and Zhu Xiling (2612 1585 3781): "Hopes and Problems Coexist in Shareholding-System Reform"]

[Text] Since the beginning of 1993, from three limited-liability companies, such as Yin He, handing out internal stock rights certificates, to the buying of shares on the Shanghai Stock Exchange and the recent issue of Hong Yuan shares, a series of shock waves has again speeded up Xinjiang's slow pace of shareholding-system reform. This enterprise shareholding experiment has now begun to become the Xinjiang Uygur Autonomous Region economic hot spot.

Xinjiang's shareholding experiment, which started at the beginning of 1992, had involved approval of the establishment of 39 shareholding enterprises by the end of March 1993. Most of these enterprises began their input and operation at the beginning of 1993. As Xinjiang's shareholding experiment is still in an embryonic stage in relation to the shareholding-reform development throughout China, this new breath being injected into our economic life carries both vitality and innocence.

The lack of vigor in enterprise operating forces has long been a key problem holding back our economic growth. Operating authority has not been separate from ownership rights, which has caused this lack of enterprise

vitality. And the most conspicuous feature of the shareholding system is its separation of these two jurisdictions, making it a modern enterprise system that separates business management from government administration, distinguishes these two jurisdictions, and brings independent operations and responsibility for losses as well as profits.

So while the first group of experimental enterprises has not been in existence very long, it has already shown certain features that are different from our past enterprise system. 1) The essential fundraising function of the shareholding system has basically resolved the severe problem of enterprises lacking development funds. Moreover, capital appraisals and financial auditing have solved longstanding unsolvable problems, such as unclear assets and unreal profits. For instance, once the Zhong Xin Food and Drink Company in Turpan was reorganized into the Zhong Xin Industrial Group Corporation Ltd., it very quickly raised over 20 million yuan in share capital from enterprise corporations both within and beyond Xinjiang and its own employees. Once it had acquired these urgently needed technological-upgrading and production-development funds, it then expanded into new fields of operation, such as real estate and import-export trade. 2) The operators who were responsible solely to the higher authorities in the past are now liable to thousands of shareholders. This personification of property rights has brought great social pressure and diversified oversight to enterprises. The Yin He Company's leader says that: while we were never very tightly run in the past because we were spending state money, we are now using the common people's sweat-and-blood money, which we cannot justify unless we can give the best accounting, so that we are making great efforts and paying close attention to economy in our enterprise work, which has strengthened our self-restraint forces. 3) All experimental enterprises have acted according to basic shareholding-system regulations, by establishing a series of new enterprise institutions. They have begun to evolve internal operating forces of capable structures, focused decisionmaking, and flexible coordination. These forces have sharply improved their business management and economic efficiency. The Ya Ma Textiles Corporation, Ltd in Yili sustained losses of 2-3 million yuan in the year before it converted to shareholding, which situation has now been obviously turned around. And the Zhong Xin, Yin He, and Jin Kui limited-liability companies have achieved even more impressive efficiency. This stands in sharp contrast to the very poor first-quarter enterprise efficiency throughout Xinjiang.

In short, the new life that the new enterprise system of shareholding has breathed into enterprises can be summed up in the phrase "independent operations and

responsibility for losses as well as profits," which has essentially resolved the motivation problem in enterprise development.

But it also needs to be noted that many problems are also steadily surfacing in the course of shareholding experimentation.

As shareholding in Xinjiang is generally a new matter, which most are unfamiliar with and have a considerably confused understanding of, some enterprises are evidencing a certain amount of blindness in reorganizing into shareholding enterprises. Some enterprises and concerned government departments are focused on form alone, thinking that setting up a joint-stock company means having turned it into a shareholding enterprise, with certainly no awareness that this is a revolutionary change for the enterprise, as opposed to past policy adjustments. While some enterprises have hung out shareholding signs, they have certainly not achieved the most essential objective of shareholding—the conversion of enterprise operating forces.

Policy improvement and completeness are shareholding-reform matters that urgently need to be dealt with. As fundamental laws and regulations are imperfect and policies are incomplete, concerned government departments continue to administer shareholding enterprises in the state-enterprise pattern, which has a sharp impact on the operation and development of shareholding enterprises. Shareholding enterprises per se are ones without outside responsibility, in that all systems, such as finances and leadership, wage, and employment systems, are independent, having only to abide by the pertinent national laws, regulations, and policies. As Xinjiang started shareholding later, we have not yet put into effect corresponding policies, leaving enterprises still controlled by concerned government departments.

Some responsible departments that hold shares assign a chairman of the board, considering procedures, such as elections, mere formalities, with some enterprise chairmen of the boards and managers being accustomed to requesting instructions from higher authorities. All of these things reflect a strong flavor of the old system. So the concerned government departments need to convert their functions, in order to create a good external environment for shareholding development.

In order to promote the healthy development of shareholding reform in Xinjiang, our whole society needs to acquire a better understanding of shareholding. The Xinjiang Uygur Autonomous Region System Reform Commission has begun to hold shareholding-system training classes to disseminate fundamental knowledge, unify thinking and understanding, and train operators.

As shareholding-reform hopes and problems coexist, we are faced with a new challenge.

Guangdong Automobile Industry Makes Progress

SPC Approves Minivan Production

93CE0530A Hong Kong WEN WEI PO in Chinese
21 Apr 93 p 1

[Article by Zhang Gaoli (1728 7559 7787), vice governor of Guangdong Province: "Doing Our Best To Make Progress in Guangdong's Auto Industry"]

[Text] Today, the Guangdong people's government will hold a news conference dealing with a project for building the Three Star minivan and engine, which will mobilize all relevant departments in Guangdong. Manpower, materials, and financing will go into a maximum effort to support building the Three Star minivan and engine, making it a mainstay for development of Guangdong's automobile industry.

The automotive industry is a technologically intensive high tech industry, and is the engine pulling our industrial train. One vehicle is composed of more than 20,000 parts. Functioning as a strategic industry, the automotive industry's effective coefficient for the national economy is five to seven-fold. Its role as a mainstay industry in the industrial development of the nation is commonly recognized. Development of the automotive industry carries with it corresponding development for such industries as iron and steel, petroleum and chemicals, machine processing, rubber, plastics, glass, electricity, and textiles.

First, the provincial government in formulating plans to catch up with and surpass Asia's "Four Minidragons," the totality of the auto industry will play a leading role, then we will focus on developing the manufacture of auto parts. The Guangdong government will help the Three Star Group function as the vital center, gradually forming it into a mainstay industry. The provincial government has decided that Three Star will be the minivan industry center.

Second, the Three Star minivan is an important 20-year project. In this project, all departments of the provincial government will extend strong leadership to the Zhenjiang municipal government. The Three Star minivan will definitely be of a high class, with large scale production. Three, the automotive industry is a large investment, high technology, high efficiency, modernized mainstay industry. According to the state's Eighth Five-Year Plan, the Three Star Group will carry out large-scale expansion, including the building of an engine plant, transformer box plant, auto frame plant, casting plant, etc., all of which will require large-scale investment. Guangdong needs this breadth of vision, for if that is lacking, such a plan cannot be realized. Now, the state has fixed this plan, so we should do our best, and consider it in the overall. First, every financial organization in the province should give strong financial support to the project, so it will be accomplished quickly. Second, utilize foreign investment: since foreign executives all have a favorable impression of our project, so we can get

this investment. Third, issue stock: provincial departments should aid Three Star in getting this underway as soon as possible. This money from the citizenry will then be used for construction.

In summary, we should should this rare opportunity, amassing the strength of the entire province to support Three Star, enabling Guangdong to catch up with and surpass the "Four Minidragons" of Asia, and contributing to the development of a national automotive industry.

Part of Eighth Five-Year Plan

93CE0530B Hong Kong WEN WEI PO in Chinese
21 Apr 93 p 1

[Article by Zheng Guorui (6774 0748 6904), vice director of the Guangdong Planning Commission: "Seize the Opportunity To Develop Guangdong's Auto Industry"]

[Text] Leaders, guests, scholars, ladies and gentlemen, greetings!

At first, let me announce that on 15 January of this year, the State Planning Commission issued its 1993 Electromechanical Bulletin No 65, "Response to Recommendations Concerning the Project for Joint Manufacture of Minivans by the Guangdong Three Star Industrial Group and the Hainan Automotive Plant," and on 12 February issued its 1993 State Electrical Bulletin No 1, "State Council Announcement Concerning Its Review and Approval of the Rigid Control of Automobile and Minivan Projects."

In May, 1991, while the Vice-Premier of the State Council Zou Jiahua [6760 1367 5478] was on his inspection visit to Hainan, he issued some important directions concerning the Guangdong and Hainan automotive industries. At the same time, the State Council's 1991 Announcement No 57, clarified the product aims and production scale of joint manufacture between Three Star and the Qionghai Plant. Vice-Premier Zou Jiahua called together the leadership of Guangdong and Hainan to issue important directives concerning joint automotive development between Three Star and Qionghai. On 24 October, the State Planning Commission issued a report stating that it would be best to form a corporation. Hainan should be Three Star branch plant; otherwise, it might possibly develop into an independent plant, as is the case in southwest China.

From 9 to 23 November, the Assistant Manager of the China General Automotive Company, Lu Fuyuan [0712 4395 3293] personally visited Guangdong and Hainan. There, he met with the Vice-Governor of Guangdong, Zhang Gaoli, the Vice-Governor of Hainan, Meng Qingping [1322 1987 1327], and the leadership of relevant departments and industry in the two provinces. After full consultation, they separately issued the following: "Supplementary Discussions by the China General Automotive Company, Guangdong Province, and Hainan Province on

Establishing a South China Automobile Stock Corporation"; "Agreement on Organizing a South China Automobile Corporation"; and, "Additional Supplementary Discussions by the China General Automotive Company, Guangdong Province, and Hainan Province on Establishing a South China Automobile Corporation."

On 31 December, in commenting on a China General Automotive Company report, Vice Premier Zou Jiahua issued another directive: "I intend to approve this report, taking a new direction that the company location will be established in Zhanjiang."

According to the spirit of the directive from the State Council, Vice Premier Zou, the leadership of the two provinces, and relevant departments, Three Star and the Hainan plant will soon form a South China Automotive Ltd., Corporation preparatory committee, which will have Three Star's General Manager Luo Ping [5012 1627] as chair, and the Hainan plant's Manager Wang Zhibang [3769 3112 6721] as vice-chair. Together, they will vigorously prepare and promote the construction of the joint project.

From 16 February to 16 March of this year, under the supervision of the China General Automotive Corporation, the China MPV delegation was formed, headed by Luo Ping of Three Star, and with Wang Zhibang of the Hainan plant as vice-head, and supervised by Lu Fuyuan of the China General Automotive Corporation. They have separately made inspection visits to five of the world's largest auto manufacturers which produce MPV (multifunctional): Japan's Mazda and Toyota, and General Motors, Ford, and Chrysler in the United States. They accomplished the purpose of their visits.

After the Eighth Five-Year Plan was issued, the government of Zhenjiang immediately approved a 4,363 mou construction site for the Three Star project as a part of the Plan (1,000 mou were turned over last year). What they are doing right now is such work as relocating residents, preparing the infrastructure for the construction project, underground inspection, etc.

In amassing funds, Three Star has organized the fiscal and stock offices of relevant departments to raise funds from all sources and all means. They have edited and published a "Brief Introduction to Project Fund-Raising," publicizing and reporting on the project situation to the various and financial institutions. They have raised a certain amount of funds.

The establishment of the project during the Eighth Five-Year Plan is a rare and fine opportunity to develop the Guangdong automotive industry. It will have a deep and long-lasting influence in building and developing Guangdong, as well as relevant industries in the province, and will promote Guangdong's international exchange in science, technology, and trade. It will allow Guangdong to achieve its great objective of catching and surpassing "Asia's Four Minidragons" within 20 years.

San Xing Enterprises Introduced

93CE0530C Hong Kong WEN WEI PO in Chinese
21 Apr 93 p 1

[Unattributed article: "An Introduction to the Guangdong Three Star Enterprise Group Corporation"]

[Text] In just five years, Guangdong has built up a first class automotive city.

First, the corporation's present situation

Today, the group corporation has developed into one holding two subordinate corporations, five branch corporations (Guangzhou, Hainan, Beihai, Kaiping and Yangjiang), five representative offices (Hongkong, Guangzhou, Hainan, Beijing, and Harbin), and fifteen branch plants. The group has strengthened its operational and administrative systems, its technical research, sales and service offices, which are totally under the supervision of a general manager, so that production research, and operations form an integrated whole. There now is a staff of 3,600, of which 70.3 percent are professional and technical staff; of these, 19 hold high level professional titles, 136 hold middle class titles, and 441 have primary class professional titles. The corporation is planned to cover 100 hectares in area, and now occupies 620,000 square meters, 230,000 square meters in the buildings.

The three major product systems are agricultural vans, light trucks, and light passenger vehicles.

Second, achievements of the corporation

In 1992, it rose to become the No 2 large scale enterprise in China.

As for the agricultural vehicles department (the basic model is the SXZ2815, with such variant models as the SXZ2815W, SXZ2811D etc.): at the first China agricultural fair in October 1992, the SXZ8515 won the only gold medal was won by the SXZ2815 model agricultural truck, while the SXZ2815B and the SXZ2815W each took brass medals.

About the light type transport vans department (the basic model is the SXZ1032):

In September 1992, the SXZ1032 light van won a gold medal for consumer confidence in a '92 Chinese automotive product.

In light passenger vehicles (models SZX6440 and SZX6480): the SXZ6440 and SXZ6480 model luxury passenger vehicles co-produced during the past year with foreign firms, have passed provincial level product quality appraisal and have been entered into the State automotive products catalogue. Light passenger vehicles have become the corporation's principal product.

Third, operations survey

The Three Star automobile has acquired a excellent reputation for its attractive appearance, reliable quality,

and good service. It has been welcomed by its consumers, primarily the nation's ten major oil producing fields, our seven major banks and the China General Automotive Trade Corporation's eight major automotive trade subordinate corporations. Various Three Star products have been sold to 30 provinces, cities and autonomous regions in all parts of China except Taiwan.

Keeping to its rule of "Consumer first, social benefit first," Guangdong Three Star has set up 55 after-sale service offices.

Fourth, developmental history in brief

The corporation group was founded in the early summer of 1988. Its predecessor the Zhanjiang Agricultural Machinery Plant which had been established in 1978. Its major products were small agricultural machines. In September 1990, the provincial government approved its change to the "Guangdong Three Star Group Corporation," having both the Zhanjiang Three Star Automotive Corporation and the Zhanjiang Agricultural Transport Corporation under its command. In December 1992, the provincial government approved the Guangdong Three Star Corporation Group's organization as the Guangdong Three Star Enterprise Group Stock Limited Corporation.

Fifth, long-range plans

According to the State Planning Commission's Electromechanical Paper (1993) No 65 titled "Concerning the Joint Project for Production of Minivans By the Guangdong Three Star Enterprise Group Corporation and the Hainan Automotive Plant," the project has been formally entered into the nation's Eighth Five-Year Plan, and will have an annual production capacity of 30,000 minivans and trucks.

Projected Production Outlined

93CE0530D Hong Kong WEN WEI PO in Chinese
21 Apr 93 p 1

[Article by Luo Ping (5012 1627), general manager of the Three Star Enterprise Group Corporation: "Speeding Up the Development of Guangdong's Automotive Industry; Seizing Opportunities, Welcoming Challenges"]

[Text] Leaders, Guests, Ladies, Gentlemen:

On behalf of the Guangdong Three Star Enterprise Group Corporation, allow me to extend our sincerest warm welcome to everyone attending this news conference convened by the Guangdong people's government, and who deals with Three Star's minivan and engine project. I express from the bottom of my heart our deepest gratitude to all levels of leadership and government departments, as well as to our friends in the news, financial, customs and trade communities for your many years of continual caring and support.

On 15 January 1993, the State Planning Commission issued its document titled "Electromechanical Plan" (1993) number 65 which gave its approval to the project for manufacturing minivans jointly by the Guangdong Three Star Enterprise Group Corporation and the Hainan Automotive Plant, and formally entered the project into the nation's Eighth Five-Year Plan. According to this document, the South China Automotive Corporation Ltd will have an annual production capacity of 30,000 minivans and 100,000 engines. During the nineties it will produce a product at the internationally advanced level—a multiple purpose minivan (MPV), and will increase its scale production and models according to market demand.

Approval of the project elicited strong reactions immediately from the international automotive community. Many major automotive corporations which have international standard production scales and real strength have individually invited us to meet with them for discussions. They wish to compete for joint participation in the project. All of the world's major automotive corporations have an optimistic view of our project which was the last one entered into the Eighth Five-Year Plan, as well as the only national automotive plan to be so designated.

The volume of our automobile production has grown rapidly along with the development of the Chinese economy, bringing with it increasingly congested urban traffic and a large problem for our highways. The MPV not only has the car's convenience, it takes up less highway space per vehicle, and has multiple functions, giving it great vitality. This type of vehicle was created overseas in the 1980's. As soon as it entered the China market, it elicited a strong market demand. Experts predict that the China market for MPVs will reach 80-100,000 units by 1995, and double that figure by the year 2000.

The MPV project of the South China Automotive Corporation Limited, still under preparation, is the focal project of the nation's Eighth Five-Year Plan. The nation has put this century's last large scale automotive industry foundation in the two provinces of Guangdong and Hainan. It will be of strategic utility for Guangdong in making its automotive industry a pillar in the industry for furthering the development of related industries and to achieve its goal: to catch up with and surpass "Asia's Four Minidragons." In order to realize our plan of one year for preparation, three years for realizing, we need strong support from all relevant government offices.

Hope remains through difficulty, and opportunity co-exists with challenge. We are very confident that we will seize this rare opportunity and overcoming the difficulties. We will stir ourselves to vigorous efforts to make our country prosperous, never cease our pursuit of the advanced ones, and accept the challenge of "joining GATT." We are determined to produce multi-purpose light vehicles which will be among the world's best and China's very best. We are committed to promoting Zhanjiang's economy, accomplishing Guangdong's target of catching up with and surpassing "Asia's Four Minidragons," and developing the nation's automotive industry.

FINANCE, BANKING

Taxation Plays Key Regulatory Role in Economy

93CE0581A Beijing ZHONGGUO SHUIWU BAO
in Chinese 29 Apr 93 pp 1, 3

[Article by He Zhenyi (0149 2182 0001): "The Regulatory Function of Taxation on the Market Economy"]

[Text] Presently throughout the country people are working for reform to establish the new socialist market economy system. To adapt to this new situation, tax reform must be accelerated. Taxation is a necessary macroeconomic control measure in market operations and reform of its regulatory functions should be given top priority.

I. Development of the Market Economy Requires a Sound Regulatory Taxation Function

The experience of various countries in developing their economies indicates that establishing operating mechanisms for the market economy requires that a corresponding regulatory taxation mechanism be formed. An essential characteristic of the market economy is that the market performs a fundamental role in the allocation of resources and the market gives basic direction to the operation of the economy. Although this means denial of the traditional method where the mandatory plan gives basic direction to the allocation of resources, it does not necessarily negate state macroeconomic control. On the contrary, because the market itself has some weaknesses and inadequacies, based on market direction, there still is a need to fully utilize the state's macroeconomic control function to correct and supplement inadequacies in market adjustments to be able to ensure continued stable, coordinated, high-performance growth. So, in forming the market economy system, we must augment the state's macroeconomic control function.

Certainly this augmentation is by no means an augmentation of the division of funds and goods and the direct intervention into mainstay market activity of the old form of macroeconomic control, but it can only be augmentation of the new form of macroeconomic control suited to the market economy and determined by the market economy. This form of control is characterized by the state in accordance with economic laws, especially the demands of market economy rules, formulating a strategy and a guiding plan for macroeconomic development and using the necessary strategic methods, mainly financial and currency strategies, and an industrial strategy, to indirectly guide various mainstay activities of the market to operate following the orientation of the macroeconomic guiding plan. That is, macroeconomic controls under the market economy draw support from the indirect controls of economic parameter functions.

Taxation holds a prominent place in this control system. Assignment of taxation impinges on all aspects of the economy and society. It is an important economic regulatory method under the direct control of the state as well

as an important parameter in the operation of the market economy. Changes in it directly affect the interests of various economic mainstays and indirectly affect market prices and supply and demand. So, perfecting and strengthening the regulatory function of taxation is a link that cannot be overlooked in establishing a market economy macroeconomic control system.

II. Only If We Clear Up the Function of Taxation Can We Have a Sound Regulatory Function of Taxation

Present regulatory taxation mechanisms were formed from the 1984 second step profit and tax reforms. After this regulatory mechanism was formed, it played an active part in such aspects as promoting reform and regulating the economy. Its successes cannot be obliterated, but it is quite unsuited to the demands of the market economy. It originated in the second step profit and tax reforms and never completely escaped the framework of the old administrative tax thinking. Although this reformed tax system design has selected the compound tax system demanded by the market economy, in setting up the functions of the principal taxes, it still was formed in accordance with the old line of thinking mixing the ownership function with taxation. This concentration is revealed in the policymaking concepts of the second step profit reform tax system. At that time, we adopted the concept of three regulations on enterprise earnings. The first regulation of enterprise earnings was through exchange tax reform; the second regulation was through income taxes; and the third regulation was through such things as a regulatory tax and a tax on bonuses, ultimately squeezing enterprise retained profits within predetermined levels to guarantee the former state revenues. This method of mixing the ownership allocation function with the taxation function not only directly harmed the taxation function, but it also brought numerous contradictions and difficulties to later taxation operations.

The ownership allocation and adjustment function and the state administrative controls allocation and adjustment function are two entirely different things and the operational basis and operational goals of the two are different. Just as regarding the goals of the two in implementing the regulatory function, the goal of regulating ownership is to improve enterprise business conditions and optimize disposition of enterprise resources to obtain the greatest performance; but the goal of government administrative adjustments is to promote optimization of overall resource disposition to realize the greatest overall performance for the national economy. One is oriented toward enterprises and one is oriented toward the overall national economy and to mix these two regulatory functions could cause intense friction between the two functions in taxation, leading to taxation deviating from the demands of the market economy.

(1) First, it could make for weakening and distortion of the taxation function. In the market economy, only if several principal parts of the market can compete as

equals and have equal conditions can the market's function in allocating resources be fully and actively performed. So, the development of the market economy demands that for taxation we look upon all the principal parts of the market equally and regulate them the same. Otherwise, it can destroy the conditions and atmosphere of equal competition. But mixing the ownership regulatory function with the taxation function blurs the distinction between the two functions and with government departments at every level ever more frequently using the taxation method, it is difficult to distinguish the ownership function from the administrative control function. When the owner itself uses the taxation method to improve enterprise business conditions such as when tax reduction or tax exemption is used to solve difficulties caused by poor enterprise operation, it can damage the tax base and weaken the tax revenue function, deviating from the principal of fairness in taxation regulation, leading to such things as taxation attacking the advanced and protecting the backward, thereby creating a distortion in the taxation regulatory function. People often use the analogy of "turning on the water to raise fish" and "developing sources of revenue" for using taxation to solve the financial needs and business difficulties of enterprises. Certainly, the government as the administrator of society in taxation must pay attention to raising sources of revenue. This is beyond reproach. But this is inherently different from resolving the financial difficulties of an individual enterprise and cannot be confused with it. Solving an individual enterprise's business difficulties and financial needs is by nature an ownership function and is not the task of state taxation regulation. To give this task over to taxation to perform deviates from the nature of taxation and leads taxation out of bounds. Because using taxation to perform ownership functions can cause the development of the tax system and administration of levies to fall into two predicaments, the need to perform ownership functions giving consideration to the different needs of different enterprises in developing and administering the tax system might destroy the standardization of the tax system and the strictly legal nature of taxation causing damage to the taxation function. If we maintain the uniformity and standardization of the tax system, it will be difficult to accomplish the ownership regulatory function, causing some enterprises that should be given consideration to lose the opportunity to improve their business and overcome difficulties.

(2) It can cause individualization and micronizing of the macroeconomic taxation control function. Market adjustment still is an individual adjustment and its principal deficiency is its inadequacy in controlling the overall economy and adjusting the macroeconomic structure. It must be supplemented with state use of macroeconomic adjustment methods. Thus, taxation is an important method for the state to accomplish macroeconomic control. Only if the focus of the adjustments is totally shifted toward macroeconomics to implement overall adjustments can it effectively allocate resources and supplement market inadequacies. But when the

taxation regulatory function is mixed with the ownership regulatory function, because right of ownership has the limitation of being able to be parceled out, it is unavoidable that it will lead to a dispersal of taxing authority and the regulatory function will lose its totality, leading to friction between taxation adjustments and market adjustments.

In sum, the various abuses that are manifest in the current performance of the taxation function and several aspects of it not suitable to the market economy invariably find their origin in mixing the taxation function with the ownership function. If we want to straighten out the tax system and enhance the taxation function for the benefit of market economy development, we must make rather great efforts to reform taxation and totally rectify the tax system and administrative authority for taxation. The ownership function that has been mixed with taxation for several years must be cleared out and the taxation function must be cleaned up if this is to be smoothly accomplished.

FOREIGN TRADE, INVESTMENT

Potential, Difficulties for Egyptian Market

93CE0557B Beijing GUOJI SHANGBAO in Chinese
29 Apr 93 p 3

[Article by Zhang Dimo (1728 4574 6206) and Xia Yu (1115 7183)]

[Text] In 1992, the volume of bilateral trade between China and Egypt broke through the U.S.\$60 million to U.S.\$70 million ceiling where it had lingered for a number of years, to achieve a record level of U.S.\$175 million.

After China implemented a pluralistic strategy for dealing with foreign trade markets, many companies inside China have begun to pay attention to Egypt and opening its markets. In addition, many Chinese goods, such as mechanical equipment, light industry products, chemical engineering products, grain oils, medical and therapeutic equipment are appropriately targeted for the Egyptian market, a situation which has moved trade between China and Egypt into a new phase. Even so, because the trade quota between China and Egypt at present is only about 1 percent of Egypt's total foreign trade quota, we can see how the potential is great for economic cooperation, and expanding trade between the two countries is very great. Many Egyptian exports, such as steel, aluminum, petroleum and petroleum products, urea, pharmaceuticals, cosmetics, leather goods, cotton, cotton yarn, and textiles etc., are also raw materials and products China needs. A trade balance between the two countries can be achieved through spot exchange or barter trade.

Egypt is paying great attention to developing its basic industry. Its 1993 plans expect it to complete construction of electrical power projects at a cost of U.S.\$4

billion, which will add three power plants. During its Third Five-Year Plan from 1992-1997, Egypt is also placing great emphasis on developing rural electrification, and plans to invest 1.8 billion pounds (Egyptian) in these projects, an increase of 180 percent over the previous two Five-Year plans. By the end of the century, electrical power will be available to all rural areas of the country, to serve the power needs of land reclamation, small rural industries, and household use. Consequently, it must build a number of power stations and a network for power transmission and distribution. About 6 percent of Egypt's food needs are met by imports, so it is faced with the need to reclaim land for agricultural development. Egypt expects to reclaim 1,347,000 "feidan" (each "feidan" = 6.3 mou) of land in the Sinai region, and develop small hydroelectric projects for agricultural use, promote light industry and processing of agricultural products, as well as livestock raising. As the result, there will be an urgent demand for agricultural machinery, irrigation equipment, agricultural implements, food processors, etc., and the future for cooperation in agricultural technology is bright.

Egypt's annual output of petroleum is estimated to be about 45 million tons, its petroleum stores about 6.3 billion barrels. Egypt has been encouraging foreign companies to explore its petroleum reserves, and its Petroleum Ministry has planned and mapped out 210,000 square kilometers of land, some near coastal areas, for foreign exploration.

In addition, the metallurgy industry occupies an important position in the Egyptian economy, and exports from this industry last year reached 800 million Egyptian pounds. Egypt also expects to build a steel plant. The Egyptian Aluminum Plant is the largest one of its kind in the Middle East. It imports its raw material from India, and produces 180,000 tons of aluminum materials annually, of which 100,000 tons are expected. Recently, iron ore was discovered in the area of Halaib for the first time, and large amounts of manganese ore was found in the vicinity of Aolinjiabu. As the result, development of exploratory efforts between China and Egypt as a further step in economic cooperation is a possibility. Egypt has also established independent zones in ports such as Alexandria, Port Said, Dumyat, and in newly established cities, where favored treatment is provided to attract foreign investors to invest and build plants there. Plants and factories established in the independent zones pay annual ground rent at the rate of \$2 U.S. per square meter, and are not subject to taxation over a long period. Their products are free to be sold abroad, and the foreign exchange obtained is allowed to move in and out freely. Because of Egypt's favorable geographic location, products from plants established there can easily be shipped to the Middle East, North Africa, and Europe. At present, quite a few foreign enterprises have invested there, most notably, the Hong Kong Garment Factory, an American-Egyptian joint venture garment factory, an Egyptian-Italian joint venture leather goods plant, a Singapore Palm Oil Plant, and India's carbon black

plant. Many guest clients in Egypt are exploring cooperative ventures with us to produce or repackage Chinese products such as toys, dual use equipment, door locks, automobiles, tractors, etc. This is also an effective way to broaden bilateral cooperation. Egypt also has a wealth of tourism assets, and the Egyptian Government is paying great attention to developing its tourism facilities. From a long range standpoint, tourism still has great potential.

In summary, the economic picture for Egypt looks good, and the potential for developing trade and economic cooperation between China and Egypt is great, with numerous opportunities. However, a further step to penetrate this market poses certain difficulties, because the Egyptian market is not completely open to foreign goods, and many restrictions are in force to limit the import of many products, or the tariffs placed on imported goods are exceedingly high. Only if the quality of Chinese products is definitely high, their prices are competitive, deliveries are timely, and post-sale product service is good, will there be hope for increasing the market share for Chinese goods.

Tailoring Exports to Indian Market

93CE0557C Beijing JINGJI CANKAO BAO in Chinese
1 Apr 93 p 3

[Article by Lei Dongping (7191 2639 1627), staff reporter in New Delhi, based on interview with Sun Shanwen at the Liaison Office of the China Metallurgy Products Import and Export Company in India]

[Text] The value of trade between China and India has long lingered between U.S.\$100 million to U.S.\$200 million. But in 1992, trade between the two countries took a leap, which by November of last year had already realized more than U.S.\$280 million, and this figure is expected to exceed U.S.\$300 million this year. Trade between China and India has entered a new phase.

The China Metallurgy Import and Export Company is a newcomer in trade between China and India. From being an unmentionably small client several years ago, it has jumped to the top of the list with the volume of business it has handled—U.S.\$95.7 million worth, almost one-third of the Sino-Indian trade altogether, and making a blood, sweat, and tears contribution to increased trade between the two countries at the same time.

How has the China Metallurgy Import and Export Company been able to make such a difference in Sino-Indian trade? To find out, this reporter went to interview Mr. Sun Shanwen [1327 0810 2429], manager of the company's liaison office in India.

The Liaison Office of the China Metallurgy Import and Export Company was opened for business in October 1991 in New Delhi, the first Chinese office established in India since 1949. By having this office, Chinese plant managers and Indian businessmen could discuss business matters directly, without having to go through a

third party, once they got hold of relevant market information. This has had a very good effect on stimulating trade.

Mr. Sun says: "China and India are both developing nations, and our imports and exports are closely related. That is to say that trade between the two countries is less than complementary, though there are still goods the two need from each other. The key is to have a spirit of exploration."

He continues: "After the liaison office was established, we had to make a survey of the Indian market to fully understand it. We focused on iron ore deposits which India has in abundance and for which China has a great need. Within a short time, we covered all the important steel plants in India. Not only did the survey show that the Indian iron ore was of top quality, it also found it to have very good sintering properties, and even more satisfactory blast furnace smelting properties. Through our efforts introducing it, many plants in China began to show an interest in iron ore from India, and import of the product into China has continued to grow. By the end of last year, iron ore imports grew from several hundred thousand tons annually to last year's 2.7 million tons. Worth more than U.S.\$80 million, these iron ore imports have become the largest commodity in Sino-Indian trade."

He further states: "Apart from assurance of product quality, a reasonable price is also part of the key to success. In the past, iron ore that India sold to China used to cost more than that sold to Japan, by about U.S.\$1 per ton. After efforts by the liaison office, India agreed to the same sales price for both parties. On this basis, the iron ore that China imported from India last year netted a savings of \$2.7 million for the state."

The liaison office is also actively introducing into the Indian market products such as China-made bearings, magnesite, fire-resistant materials, charcoal, electromechanicals, and advanced technology in particular. Mr. Sun says: "An example of success in this area is cooperation with the Indian steel industry. On the heels of providing technical expertise and equipment to exhaust coal dust from blast furnaces, and design expertise and equipment for new blast furnaces, the China Metallurgy Import and Export Company also signed a contract last year with India's Middle East Company to build a steel plant with a 500,000-ton capacity, completely designed by China, which will also provide the technology and equipment to operate it. This move has further advanced Sino-Indian cooperation in steel production."

That the small blast furnace technology used by China to refine steel is received so well by the Indians is due, in no small measure, to the reliability, practical usefulness, and reasonable pricing of the product. He said: "At present many Indian specialists are aware that a country such as India, with its large population and meager capital resources, should not pursue development of its steel industry on a large scale, but take China as an

example, and develop large, small, and medium-sized operations in accordance with local conditions and resources. At the same time, after some study and comparison, they will recognize that China's small blast furnace technology is the most advanced in the world today, and is worthy of consideration."

Mr. Sun also indicated that India is a large market waiting to be developed. Take its steel industry alone. Its present steel output is only 15 million tons, but once India's economy is further developed, that is hardly sufficient to meet its needs.

As a result, the prospects for Sino-Indian cooperation are good, particularly since the Rao government recently adopted some new policies in the areas of taxes and finance to further stimulate foreign capital [investment] and trade. This will provide new and favorable factors for trade and economic cooperation between China and India.

Explanation of Regulations on Import Licenses

93CE0547A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese
No 2313, 5 Apr 93 pp 28-29

[Article by Zhang Guoqing (1728 0948 1987), affiliated with the PRC MOFERT Foreign Trade Administration Department: "China's Current Administration of Import Licenses"]

[Text] *We received a telegram from Mr. Huang [7806], a CHING-CHI TAO-PAO reader affiliated with the Hsin-sheng Fashions Company Ltd., inquiring about China's current import license conditions. In light of the widespread nature and interest to our readers of this matter, we have specially solicited this article from Mr. Zhang Guoqing, affiliated with MOFERT's Foreign Trade Administration Department in Beijing*

In light of China's progress toward recovering its status as a signatory to the GATT and according to the promises in U.S.-China market-access talks, China will within a few years lift its current import-license restrictions on most commodities, in order to further reform its import-administration system. Our reform direction is to strengthen macroeconomic regulation and reduce administrative interference, by gradually establishing an import-administration system with exchange rates and tariffs as the major means of regulation and control, in order to bring China's import-administration system more into line with international trade norms. So China took the major step on 31 December 1992 of lowering the import tariffs on 3,371 taxable commodities, or 53 percent of all customs import-export tariff items, lowering China's overall tariffs by 7.3 percent, which was the most widespread adjustment of our tariff-commodity scope since the founding of the PRC. This tariff-reduction was focused on the following commodities: 1) raw materials that China will have to import for a long time to come; 2) advanced-technology products that cannot be made in China; 3) certain products made in

developing countries; 4) manufactured goods for which China has a certain international-market competitiveness. As to commodity classification, the tariff reductions were 8 percent for agricultural products, 6.9 percent for minerals, 4.2 percent for industrial chemicals, 9.4 percent for lumber and paper, 9.6 percent for textile raw materials and fabrics, 9.2 percent for building materials, 7.3 percent for metals and other goods, 6.2 percent for machinery and electronic instruments, and 5.2 percent for transportation and communications equipment. Moreover, we also lifted our import licensing and quota control over polaroid cameras, and lifted our import control over ocollosopes, changing it to import formalities through registration; we lifted our import control over digital telephone exchanges, changing to purchasing in the form of international bidding, with import formalities based on bidding results or feasibility-study reports; and we lifted our import-quota control over polaroid sensitization materials.

Along with this step-by-step reform of our import-administration system, China's import-licensing administration has also become more transparent. In addition to having recently published an import-license commodity catalog, China has also publicized import-license licensing organs and examination and approval, application, and licensing procedures. These are basically as follows:

I. Current Import-License Commodities

China still has 53 commodities under import-license administration. This includes the 16 commodities licensed by MOFERT of rolled steel, billets, scrap steel, scrap ships, rubber, lumber, plywood, fleece, chemical fibers, wood pulp, petroleum, sugar, tobacco products, civil aircraft, automobiles, and key car parts. Provincial foreign economic relations and trade administration departments license the 36 (sic) commodities of chemical fiber monomers, ABS resin, synthetic rubber, polycarbonate, hydrogenated sodium, pesticides, cigarette filters, coffee and its products, cobalt and cobalt salt, car tires, civil demolition materials, chemical fiber cloth, chemical fiber clothing, southern drugs, carbonated beverages, TV picture tubes, car hoists, open-end spinning machines, electron microscopes, electronic color scanners, fault imaging devices, electronic computers, audio and video tape copiers, TVs, motorcycles, key motorcycle parts, cameras, camera cases, watches, and assembly and manufacturing equipment (34 production assembly lines). The Special Appointments Office (SAO) licenses the one commodity of diacetic acid chemical fiber tows. MOFERT commissions the 14 open coastal cities to import the commodities of rubber, lumber, chemical fibers, wood pulp, petroleum, sugar, fleece, and plywood, and MOFERT commissions domestic- and foreign-invested enterprises in related zones to import the commodities of rolled steel, rubber, lumber, fleece, sugar, wood pulp, chemical fibers, and cars. MOFERT commissions as well directly subordinate enterprises of

pertinent central departments in related zones to import some commodities which are the same as those licensed provincially.

II. Classified Import-License Licensing Organs

1. The centralized licensing organ for MOFERT-licensed commodities is the MOFERT Quota-License Office.

2. The licensing organs for MOFERT's SAO-licensed commodity are:

MOFERT's special appointments offices in Tianjin, Dalian, Shanghai, Guangzhou, Shenzhen, Hainan, Nanjing, Fuzhou, Qingdao, Zhengzhou, Wuhan, Nanning, Chengdu, Xian, and Hangzhou.

3. The licensing organs for commodities under the jurisdiction of all provincial, autonomous regional, municipal, and plan-list city foreign economic relations and trade departments, commissions, and foreign trade bureaus are:

Foreign economic relations and trade commissions in Beijing, Shanghai, Hebei, Dalian, Shenyang, Changchun, Heilongjiang, Harbin, Jiangsu, Nanjing, Zhejiang, Ningbo, Anhui, Fujian, Shandong, Qingdao, Henan, Hubei, Hunan, Guangdong, Guangzhou, the Guangxi Zhuang AR, Sichuan, Chengdu, Chongqing, Yunnan, Shaanxi, Xian, Gansu, and the Xinjiang Uygur AR;

Foreign trade bureaus in Tianjin and Liaoning;

Foreign economic relations and trade departments in Shanxi, Jiangxi, Guizhou, the Xizang (Tibetan) AR, Qinghai, and the Inner Mongolian AR;

The Economic Relations and Trade Commission in Xiamen;

The Foreign Economic Relations and Trade Management Commission in Wuhan;

The Trade Development Office in Shenzhen;

The Commerce and Trade Department in Hainan;

The Foreign Economic Relations and Trade Department in the Ningxia Hui AR.

III. Examination, Approval, Application, and Licensing Procedures

According to the provisions in the "PRC Provisional Regulations on Import Goods Licensing" and their detailed enforcement rules and regulations, all importers of commodities under import licensing administration are subject to examination, approval, application, and licensing by the responsible national administrative departments:

1. All foreign trade companies, industrial-trade companies, international economic and technological cooperation companies, production enterprises, and FIE's with State Council-approved import-export management rights may apply for import licenses.

2. Enterprises can use valid certificates approved by the responsible national administrative departments to

apply for import licenses. Administrative examination and approval certificates from the responsible national administrative departments are the grounds for issuing import licenses by licensing organs at all levels.

3. The responsible national administrative departments are the State Planning Commission, MOFERT, the State Council Economics and Trade Office, and the State Council Machinery and Electronics Equipment Import Coordination Office. They are respectively responsible for the administrative examination and approval of different import-license commodities.

A) The State Planning Commission is responsible for examining and approving the commodities of rolled steel (including galvanized iron), billets, scrap steel, scrap ships (broken up ships), natural rubber (including natural emulsion), lumber (not including cork), plywood, fleece, chemical fibers, wood pulp, petroleum, sugar, chemical fiber monomers, ABS resin, synthetic rubber, polycarbonate, hydrogenated sodium, pesticides, tobacco products, cigarette filters, diacetic acid chemical fiber tows (tobacco standards), cobalt and cobalt salt, car tires (including used tires), civil demolition materials, chemical fiber cloth, chemical fiber clothing, and southern drugs.

B) MOFERT is responsible for examining and approving the commodities of coffee and its products, and consignment tobacco.

C) The State Council Economics and Trade Office is responsible for examining and approving the commodities of carbonated beverages (including finished products and concentrates), and assembly and manufacturing equipment.

D) The State Council Machinery and Electronics Equipment Import Coordination Office is responsible for examining and approving the commodities of TV picture tubes, automobiles, key car parts, car hoists, civil aircraft, open-end spinning machines, electron microscopes, electronic color scanners, fault imaging devices, electronic computers, and peripherals, audio and video tape copiers, (not including those with a reproduction ratio under 1:8), VCRs (camcorders), copiers, air conditioners and compressors, washing machines, tape recorders, TVs, motorcycles, key motorcycle parts, cameras, camera cases, and watches.

4. Applications for import licenses by FIE's will be handled according to the "MOFERT Enforcement Regulations on Applications for Import Licenses by FIEs" ([1987] Circular #1 on foreign economic relations and trade data summary, republished on 5 December 1991).

5. Import-license administration for products donated by overseas Chinese and Hong Kong, Macao, and Taiwanese compatriots will be handled according to the "State Council Regulations on Strengthening Control Over Imports of Commodities Donated by Overseas Chinese and Hong Kong, Macao, and Taiwanese Compatriots" (State-issued No 16 [1989]).

6. Import-license application and licensing

A) Import-license application forms must be filled out.

B) Valid certificates approved by the responsible national administrative departments must be submitted.

C) Enterprises that are first-time applicants for import licenses must submit documents and records approving the enterprise establishment.

D) Licensing organs will issue import licenses within their authorized limits. The issuing grounds are the "MOFERT and General Administration of Customs Circular on Matters, Such as Adjusting Import License Commodity Type and Licensing Organs" ([1987] No 429 on foreign economic relations and trade import administration, republished on 3 June 1992).

E) MOFERT is responsible for interpreting import-license application and licensing procedures.

As to the steps that China will take to gradually lift its current import-license administration over most commodities, plans to do this by stages and in groups are set forth in U.S.-China market-access talks, and the Chinese Government will act as promised. As current issues are specific progress in recovering China's status as a signatory to the GATT and whether both the United States and China will observe the memoranda they have reached, the specific implementation of certain plans awaits the right time.

Adjusting Export Product Mix Based on Comparative Advantage

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[Article by Lu Weiwei (0712 3634 3634), affiliated With the Foreign Economics and Trade University's International Trade Issues Institute: "A Comparative-Advantage Analysis of China's Export Product Mix"]

[Text] I. Comparative Advantage and Industrial Structure

The law of comparative advantage is closely linked to certain issues involved in industrial policy. It is concerned with the gradual liberalization of international trade and its long-range impact on the redistribution of resources. In economic theory, the role that comparative advantage can play in the reorientation of resources is that, when market forces expand to the point where they are brought into full play, comparative (cost) advantage can at least partially determine the pattern of the international division of labor. So easing trade restrictions

repositions resources and enables the production and trade structures to develop in directions that conform to the basic pattern of comparative advantage.

China is about to recover its legitimate seat in the GATT. A GATT membership condition is that the trade barriers that China has evolved in the past, regardless of form, must all be gradually dismantled. Trade liberalization first has a short-term impact involving a country's balance of international payments, with its long-term impact concerning the shift of comparative-advantage essentials. Trade liberalization increases the opportunities for international trade exchanges, the results of which generally affect the reorientation of resources, with almost all without exception of the corresponding adjustments made by a country in its economic structure resulting in a certain type of policy behavior. The problem is that in the process of drawing up and applying the government's international trade and domestic resource-disposition policies, it is necessary to study the long-term impact of the law of comparative advantage on growth and development, with policy formulation needing to rely on the conclusions of such study. In this respect, discussions about industrial policy have become a much-debated topic in China's economic activities in recent years. Economists and policymakers all generally confirm the important role of comparative advantage in formulating industrial policy, as well as endorsing an "active" industrial policy, in hopes of correcting market imperfections, so that the country can better realize the comparative advantage inherent in its economy.

Comparative advantage and policy formulation involve at least the following three basic interrelations: 1) In the course of drawing up industrial policy, if comparative advantage is not supreme, it is at least the most fundamental reference basis. 2) Most importantly, considering long-range growth goals and social objectives, policy can change the effects and results of comparative advantage. 3) In comparison to depending on market forces, policy can more quickly form comparative advantage in acquiring growth and competitiveness. As to how to bring the role of comparative advantage into full play, one view is that comparative advantage, as set forth in the form of international trade essentials-composition theory, is a conceptual framework generally applicable in explaining the international division-of-labor pattern. Relative efficiency largely determines the international competitive might of an industry, which is logically irrefutable, as well as being supported by empirical analysis. Another view is that comparative advantage is a static concept, which neither should nor can be applied mechanically in analyzing the dynamic process of economic growth and development. Economic development is an interdependent process, not a comparison of the economic static-equilibrium in the international climate. As to the optimum dynamic disposition of resources, it is necessary to pay attention to balanced growth, instead of the imbalanced development favored by some international trade theories. Still others try to synthesize the above two views, to make comparative advantage a dynamic concept. But while this method

of combining inherent static comparative advantage with dynamic growth can eliminate policymaker vacillation at decision time, it certainly can also cause other problems. A development strategy drawn up based on the law of comparative advantage can cause adverse social consequences. And if policymaking must take into account social objectives, this can only mean revision of development policy, which might deviate from the variable track of comparative advantage. An even riskier view is that comparative advantage can be created. This method's key focus is that the government can directly impact the potential international economic might of certain industries. According to essentials-composition theory, a trade pattern can only roughly reflect the interrelations between a country's essentials endowments and product-essentials density. So an industry's comparative advantage cannot be absolutely unequivocally determined simply by its resources endowment and product-essentials density, but also depends on certain other essentials that might be interrelated with government policy, which often have a considerable impact on international competitiveness.

II. The Projection Methodology for Comparative Advantage

The essential difficulty in projecting comparative advantage is finding a comparative-advantage projection model that correlates with empirical research and is actually feasible. The comparative-advantage concept generally takes pre-trade prices as its yardstick of measurement, with all real economic data being produced under world trade conditions. As it is obviously impossible to project all authentic indexes based on pre-trade prices, the conclusions reached by all comparative-advantage projection methods can only be approximations of fundamental authentic relations.

One method is a concise interpretation derived from the law of comparative advantage. As a country that enjoys a comparative advantage in certain products will specially produce and export these products, while importing products in which it has a comparative disadvantage, exports show a country's comparative advantage in export products, while imports show its comparative disadvantage in import products. As to both theory and practice, the defects of such a simplistic methodology are: 1) It does not consider the factor of a country's size. While ranking countries by import-export volume means ranking them according to comparative advantage or disadvantage, differences in country size when comparing import-export volume can reverse the ranking of comparative advantage or disadvantage of two countries. So a meaningful index should be founded on the basis of trade-turnover data that excludes the impact of differing national size. 2) It does not resolve the difficulty involved in summing up statistical data. Even the most detailed trade data can only cover commodity categories, but cannot calculate individual commodities one by one. In a certain commodity category, a country can be often be both an exporting and importing country. Artificial two-way (within an industry) trade

statistics makes the abovementioned simplistic import-export methodology ineffective as a comparative-advantage (-disadvantage) index. Moreover, this statistics-summarization problem may conceal the real comparative-advantage pattern in some cases.

Another method uses the net-trade index, not imports and exports, as its comparative-advantage projection methodology. For instance, a commodity category's net exports can show that a country's comparative-advantage exports exceed its comparative-disadvantage imports. Based on trade data summary levels, this index-projection method can maintain a given degree of accuracy in reflecting the following three areas of comparative advantage: 1) the comparative advantage of various industries in one country; 2) the comparative advantage of one industry in various countries; 3) the comparative advantage of different industries in various countries.

The choice of the right projection methodology also requires consideration of the problem created by government support policies for certain industries. The comparative-advantage pattern information reflected by current trade flow is far less reliable than the trade-flow information produced in a climate of free trade. As to actual ways of dealing with this type of problem, two differing views have evolved. One favors using only export data. Its implication is that government intervention does not create comparative advantage, so that export data can be used to project comparative advantage. And the indiscriminate use of tariff and non-tariff measures means that import data distorts the comparative advantage index. The other holds that the policy measures affecting imports and exports contain a certain form of symmetry. As the government method of restricting imports and supporting exports of a certain product is often supplemented by direct and indirect subsidization of the industry's production, using the net trade index to project comparative advantage is better. Theoretical analysis shows that as to products or national averages, the net trade index not only can roughly show whether comparative advantage exists but, if further consideration is given to the factor of country size or if a weighted figure can be given to a product's world trade share, the net trade index should also be able to project the extent of comparative advantage. In order to make the comparative-advantage index better satisfy theoretical assumptions, some methods also use production (or consumption) data along with trade data, or use production data alone. Theoretical studies show that trade data is more useful than production-cost data, because trade data can be acquired, as well as being more comparable on a worldwide basis.

These varying views have resulted in the phenomenon of a number of comparative-advantage projection methods coexisting. The one that is best known and of the widest applicability is the export achievement rate projection method. This method compares a country's export product mix to the relevant product mix, i.e., projects whether a certain product's export share in a country's manufactured product export volume is larger or smaller than its export share in the world's manufactured

product export volume, or whether the country has a comparative advantage or comparative disadvantage as to the product. The supporters of this methodology hold that it can avoid the impact of import distortion created by national protectionism. Certain international economists regard this as the delimiting index for comparative advantage, i.e., the one that distinguishes whether comparative advantage exists. While a theoretical perspective shows that the export achievement rate method has theoretical flaws because it considers only exports instead of dealing with imports and exports together like the net trade index, practical feasible considerations leave it still regarded as the most frequently used index to measure comparative advantage. Moreover, if we assume that commodity trade patterns reflect differences in relative costs and nonprice factors among countries, then we can assume that they also can reveal comparative advantage among trading countries, so that we can use the manufactured product trade export achievement rates of various countries to approximately reflect mutual comparative-advantage relations.

In order to provide a reference basis for China's formulation of an industrial development strategy for the 1990's and even longer and the optimization of our industrial structure, this article has used the achievement rate projection method to calculate and analyze thousands of export data for the two periods of the early 1980's (1981-1983) and the late 1980's (1987-1989). These two periods can essentially be generalized to reflect the overall changing trends of China's export-product-mix comparative advantage in the 1980's.

In addition, this article's comparative-advantage analysis has adopted the UN Industrial Development Organization's definition of a broad-based manufactured-product concept, i.e., one that includes not only the 5-8 type manufactured products in the strict definition of international trade-standard classifications, but also the manufactured and intermediate products in the 0-4 type primary-raw-materials product category, which makes it easier to compare countries. As most primary products are affected by subsidies, quotas, special trade methods, and natural resource endowments, it is very hard for their trade patterns to truly reflect comparative advantage. Moreover, as manufactured-product trade constitutes a considerable percentage of world trade, the majority of trade among industrialized developed nations, and a sizeable percentage of China's exports, this article's international comparative-advantage analysis includes here only the broad-based manufactured-product group, but does not involve the primary-raw-materials product group.

According to strict GATT definition, China's manufactured products made up the following percentages of our overall exports:

From 1981 to 1983, 46.13 percent, 43.57 percent, and 45.35 percent, respectively.

From 1987 to 1989, 47.11 percent, 56.57 percent, and 53.43 percent, respectively.

III. A Brief Analysis of Projection Results

This article defines comparative advantage (disadvantage) index as follows: when the calculated index is greater than "1," this shows that the calculated manufactured goods export industry has a comparative advantage while, if the index is less than "1," this

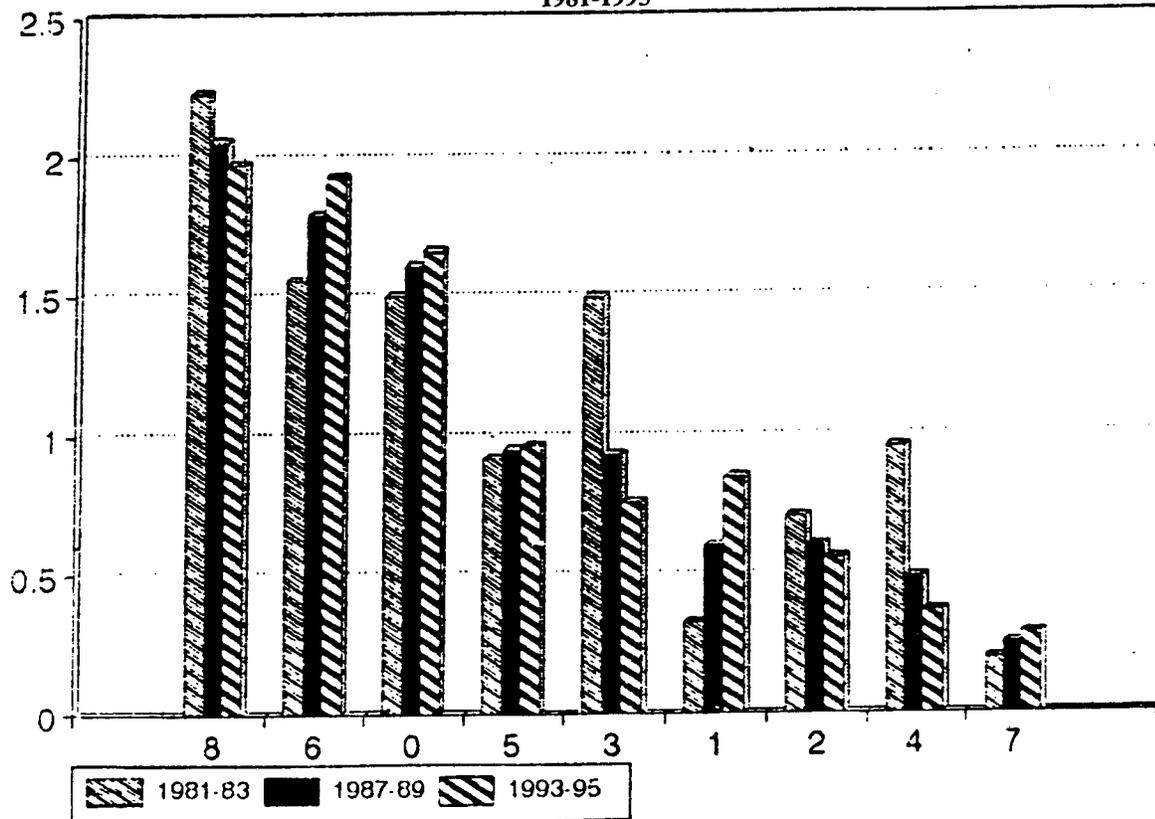
means that the calculated manufactured goods export industry has a comparative disadvantage.

First, lumping China's export industries together as a major quantitative category of international trade standard classification, China's export product mix in the 1980's had the following comparative advantages (See Table 1 and Graphic 1):

Table 1. General Categories of Export Manufactured Goods Comparative Advantage (Disadvantage) Indexes for 1981-1995

	Share of World Manufactured Goods Exports		Share of China's Manufactured Goods Exports		Comparative Advantage (Disadvantage)		
	1981-1983	1987-1989	1981-1983	1987-1989	1981-1983	1987-1989	1993-1995
Miscellaneous Goods	11.25	13.54	25.06	27.78	2.23	2.05	1.97
Manufactured Goods Classified by Raw Materials	20.89	19.85	32.54	35.59	1.56	1.79	1.93
Food	8.65	6.99	12.98	11.23	1.50	1.61	1.66
Chemicals	10.02	10.42	9.20	9.86	0.92	0.95	0.96
Mineral Fuels, Lubricating Oil	6.83	3.03	10.20	2.82	1.49	0.93	0.76
Beverage Manufactured Goods	1.07	1.08	0.36	0.65	0.33	0.60	0.85
Nonedible Manufactured Goods	2.30	2.33	1.63	1.40	0.71	0.60	0.56
Animal and Vegetable Oil, Fat, and Cured	0.76	0.55	0.73	0.27	0.96	0.49	0.37
Machinery and Transportation Equipment	38.23	42.23	7.31	10.41	0.19	0.25	0.28

General Categories of Export Manufactured Goods Comparative Advantage (Disadvantage) Distribution Chart for 1981-1995



1. In the late 1980's (1987-1989) in China's export products, miscellaneous goods (Category 8) showed the greatest comparative advantage (2.05), with their share of China's manufactured goods exports at 27.78 percent, or more than twice the (13.54 percent) share of world manufactured goods exports for all countries in this product category. In addition, in the two general export-product categories of manufactured goods classified by raw-materials (Category 6) and food (Category 0), China also had varying degrees of comparative advantage. It is worth noting that in Category 8, while China's comparative advantage for the late 1980's was down somewhat from its 2.23 of the early 1980's (1981-1983), the share of world manufactured goods exports for all countries in this general product category in the late 1980's was up somewhat from the early 1980's. And in Category 6, while China's comparative advantage of the late 1980's (1.79) was up from its (1.56) for the early 1980's, the share of world manufactured goods exports for all countries in this product category in the late 1980's (19.85 percent) was down somewhat from its (20.89 percent) of the early 1980's. But in Category 0 products, China's comparative advantage in the late 1980's (1.61) was up somewhat from the early 1980's (1.50), which change was in the same direction as that of the share of world manufactured goods exports for all countries in this product category.

2. Of the nine general categories of manufactured goods in the standard classification of international trade, China had four general categories of products with comparative advantage in the early 1980s (Category 8 of miscellaneous goods, Category 6 of manufactured goods classified by raw materials, Category 0 of food, and Category 3 of mineral fuels). But by the late 1980's, our comparative advantage in Category 3 of mineral fuels had turned into a comparative disadvantage, while our three general categories of export products with international comparative advantage in declining order were categories 8, 6, and 0. And by the late 1980's, our six general categories of products with comparative disadvantage differed somewhat in degree of comparative disadvantage and change. This included three (sic) general categories of products (Category 1 of beverages and tobacco, Category 2 of nonedible raw material manufactured goods, Category 3 of mineral fuels, lubricating oil, and related raw materials, and Category 4 of animal and vegetable oil, fat, and cured) where the comparative disadvantage also changed to varying degrees. As product categories 1, 2, and 3 are basically intensive natural-resources products, they are largely interrelated with China's natural resources situation, particularly our disadvantage in share of natural resources per capita.

Table 1 and Graphic 1 also provide comparative advantage (disadvantage) development and change projection values for 1993-1995. As this projection relies on past development trends, presumes no changes in past conditions, and uses a relatively static method to project the future, its conclusions are at best only of reference value.

Table 2. Export-Manufactured-Goods-Group Comparative Advantage Indexes for 1981-1995

	Share of World Manufactured Goods Exports		Share of China's Manufactured Goods Exports		Comparative Advantage		
	1981-1983	1987-1989	1981-1983	1987-1989	1981-1983	1987-1989	1993-1995
Other Textile-Material Goods	0.29	0.24	4.16	7.29	14.13	29.78	46.27
Explosives and Fireworks	0.05	0.05	0.47	0.80	8.75	15.49	21.45
Tea	0.12	0.10	1.60	1.32	13.25	13.48	13.60
Cotton Woven Fabric	0.51	0.51	5.58	5.12	10.90	9.96	9.54
Vegetable and Rhizome Goods	0.21	0.18	1.99	1.71	9.50	9.28	9.18
Metallurgical-Use Nonferrous Base Metals	0.07	0.07	0.40	0.56	5.44	8.52	10.93
Non-Knitted or -Crocheted Underwear	0.17	0.23	1.90	1.77	11.15	7.68	6.48
Fabric-Made Clothing Accessories	0.13	0.16	1.08	1.03	8.56	6.56	5.79
Man-Made Fiber Woven Fabric	0.99	0.91	5.35	5.93	5.38	6.52	7.21
Other Miscellaneous Goods	0.31	0.34	2.79	1.94	9.00	5.72	4.68
Ceramics	0.15	0.15	1.13	0.80	7.43	5.42	4.68
Tin	0.20	0.07	0.39	0.36	1.93	5.40	10.26
Non-Knitted Male Coats	0.53	0.59	3.21	3.12	6.12	5.33	4.99
Knitted or Crocheted Underwear	0.29	0.39	1.64	2.00	5.64	5.13	4.90
Organisms, Ferroalloys, etc	0.27	0.24	0.99	1.23	3.59	5.02	6.02
Non-Knitted Female Coats	0.70	0.89	3.11	4.44	4.43	4.97	5.27
Nonalcoholic Beverages	0.06	0.06	0.19	0.31	2.96	4.75	6.18
Flooring (or Paving) Materials	0.34	0.31	1.39	1.42	4.03	4.56	4.85

Table 2. Export-Manufactured-Goods-Group Comparative Advantage Indexes for 1981-1995 (Continued)

	Share of World Manufactured Goods Exports		Share of China's Manufactured Goods Exports		Comparative Advantage		
	1981-1983	1987-1989	1981-1983	1987-1989	1981-1983	1987-1989	1993-1995
Hats and Nonfabric Clothing	0.27	0.38	1.40	1.73	5.20	4.50	4.20
Knitted or Crocheted Fabric	0.16	0.16	0.03	0.66	0.17	4.19	53.59
Fruit Products	0.34	0.34	0.74	1.14	2.19	3.38	4.29
Fleece and Animal Hair	0.34	0.37	1.58	1.24	4.70	3.37	2.90
(Husked) Rice	0.34	0.16	1.40	0.51	4.11	3.27	2.93
Feed	0.92	0.73	0.97	2.38	1.06	3.26	6.65
Cutting Tools	0.11	0.09	0.38	0.28	3.63	3.05	2.81
Yarn	1.01	1.00	2.80	2.94	2.77	2.93	3.02
Footwear	0.76	0.91	1.65	2.56	2.16	2.83	3.27
Inorganic Chemicals	0.90	0.78	1.76	2.19	1.96	2.81	3.42
Tourist Articles and Handbags	0.17	0.26	0.74	0.71	4.34	2.70	2.19
Refined Oil and Perfume	0.13	0.13	0.43	0.33	3.32	2.53	2.23

An intensive summing up and statistical analysis of China's export achievements can show a deeper level of China's export product achievements. Table 2 lists projections using the export achievement rate method for the 30 industries with the best export achievements of our 165 export industries in the late 1980's, ranking them in declining order according to the 1987-1989 comparative-advantage index. In order to facilitate comparison, this table lists the comparative-advantage indexes for these 30 export industries in the early 1980's, as well as comparative-advantage change projected trends for 1993-1995, for reference. Just as Table 1, Table 2 also shows the changing share for each industry of China's manufactured goods exports.

According to the essentials-composition method, we can roughly distinguish the 30 industries listed in this table as follows: 16, or 53.3 percent, are nonskilled labor-intensive industries; seven, or about 23.3 percent, are agricultural resource-intensive industries; three, or about 10.0 percent, are mineral resource-intensive industries; two, or about 6.7 percent, are manpower- and capital-intensive industries; and two, or about 6.7 percent are technology-intensive industries. This can at least partially show that in China's export product mix in the

1980's, the export industry groups with the most comparative advantage were concentrated in labor- and agricultural resource-intensive industries. This makes up China's 1990's development base, as well as showing a sizeable growth potential.

Of China's 165 export industries, 56, or about 34.0 percent, had comparative advantage by the late 1980's (which figure was 57 for the early 1980s). This included 21 nonskilled labor-intensive industries, or 37.5 percent of the 56 industries with comparative advantage; 12 manpower-intensive industries, or 21.4 percent; 11 agricultural resource-intensive industries, or 19.6 percent; six technology-intensive industries, or 10.7 percent; and four mineral resource-intensive industries, or 7.1 percent. If we regard manpower- and capital-intensive industries as skilled workforce-intensive industries, and generalize nonskilled labor-intensive industries and skilled labor-intensive industries (not including Group 667 steel wire rods) as labor-intensive industries, then 32 of China's 56 industries with comparative advantage are labor intensive, or 57.1 percent, making up more than one-half of all industries with comparative advantage. This further shows that the comparative advantage in China's export mix is primarily in labor-intensive industries, and secondarily in agricultural resource-intensive industries.

Table 3. Export-Manufactured-Goods-Group Comparative Disadvantage Indexes for 1981-1995

	Share of World Manufactured Goods Exports		Share of China's Manufactured Goods Exports		Comparative Disadvantage		
	1981-1983	1987-1989	1981-1983	1987-1989	1981-1983	1987-1989	1993-1995
Small Motor Buses	5.06	7.10	0.00	0.01	0.00	0.00	0.00
Animal Fat	0.11	0.06	0.00	0.00	0.03	0.01	0.01
Pulp and Waste Paper	0.70	0.76	0.00	0.01	0.00	0.02	0.07
Nonelectric Motors	0.72	0.74	0.23	0.02	0.32	0.02	0.01
Coffee and Substitutes	0.89	0.68	0.10	0.02	0.12	0.02	0.01

Table 3. Export-Manufactured-Goods-Group Comparative Disadvantage Indexes for 1981-1995 (Continued)

	Share of World Manufactured Goods Exports		Share of China's Manufactured Goods Exports		Comparative Disadvantage		
	1981-1983	1987-1989	1981-1983	1987-1989	1981-1983	1987-1989	1993-1995
Other Land Motor Vehicles	0.29	0.27	0.00	0.01	0.02	0.02	0.03
Air Material and Equipment Parts	2.18	1.78	0.66	0.06	0.30	0.03	0.02
Tractors and Vehicle Accessories	2.71	3.39	0.06	0.12	0.02	0.04	0.05
Medical Electronic Equipment	0.25	0.30	0.01	0.01	0.03	0.04	0.05
Wheat Flour	0.13	0.07	0.00	0.00	0.00	0.04	8.36
Automated Data-Processing Equipment	1.26	2.36	0.00	0.11	0.00	0.05	1.11
Papermaking Machinery and Parts	0.18	0.21	0.01	0.01	0.07	0.05	0.04
Veneer and Plywood	0.32	0.38	0.02	0.02	0.07	0.06	0.05
Steel Ingots, Billets, and Similar Products	0.49	0.50	0.30	0.03	0.61	0.06	0.03
Milk, Cream, and Curds	0.98	0.83	0.04	0.05	0.05	0.06	0.07
Electron Tubes, Photocells, etc	1.30	2.48	0.04	0.15	0.03	0.06	0.09
Printing and Binding Machinery	0.27	0.35	0.02	0.02	0.08	0.06	0.06
Iron and Steel Strips	0.19	0.16	0.00	0.01	0.02	0.07	0.15
Office Machinery and Equipment Accessories	0.94	1.95	0.01	0.14	0.01	0.07	0.34
Nonelectric Machinery and Tools	0.53	0.53	0.03	0.04	0.06	0.08	0.09
Tractors	0.40	0.29	0.04	0.03	0.09	0.09	0.09
Refined Animal and Vegetable Oil and Fat	0.09	0.08	0.01	0.01	0.10	0.09	0.09
Printed Goods	0.62	0.64	0.08	0.07	0.12	0.10	0.09
Pumps, Compressors, and Blowers	0.67	0.62	0.02	0.06	0.03	0.10	0.20
Internal-Combustion Engines and Parts	1.25	1.35	0.13	0.14	0.10	0.10	0.10
Manufactured Fertilizer	0.57	0.49	0.01	0.05	0.02	0.11	0.31
Civil Engineering Machinery	1.24	0.67	0.08	0.07	0.06	0.11	0.15
Other Optical Goods	0.19	0.21	0.04	0.02	0.20	0.11	0.09
Manufactured Wood Railway Ties	0.72	0.73	0.02	0.09	0.02	0.12	0.40
Synthetic Rubber Milk and Rubber	0.23	0.20	0.03	0.02	0.14	0.12	0.12

As an industrial analysis contrast to comparative advantage, Table 3 uses the export achievement rate method to project the 30 industries of our 165 export industries in the 1980s with the worst export achievements, ranking them in declining order of severity of comparative disadvantage for 1987-1989. Of these 30 industries with comparative disadvantage, technology- and capital-intensive ones rank first at 50 percent, having the most glaring comparative disadvantage, with resource-intensive export industries second at 30 percent, and manpower- and capital-intensive ones third at 20 percent. Seen from an essentials-composition perspective, this at least partially shows that the comparative disadvantage of China's manufactured goods export industrial structure in the 1980s was concentrated in technology-, natural resource- and manpower- and capital-intensive industries.

As to the diversification of our export industrial structure from the early to the late 1980's, while China's export product mix underwent great diversification efforts, with our export density (jini) coefficient moving

from 0.1701 in the early 1980's to 0.1552 in the late 1980's, it can be said that we were still far from having formed an overall diversified export order. It could even be said in a certain sense that our degree of specialization continued to intensify instead. For instance, as to textiles (groups 658, 652, 653, 4, 659, and 651) and clothing (groups 844, 847, 842, 846, 843, and 858), adding up to only 12 product groups (making up 7.72 percent of all 165 manufactured goods groups), their percentage of all Chinese manufactured goods exports was 34.01 percent for 1981-1983, continuing to climb to 40.07 percent for 1987-1989 and, when adding in agricultural products (groups 074, 056, 058, 042, and 081), was even larger at 39.74 percent and 45.19 percent per respective period. A comparative-advantage analysis of general product groups and three-digit product groups shows that the difference in degree of comparative advantage in China's export product mix is still quite clear, so that we can use the comparative-advantage-difference standard-variance-value to show that China's export products in this numerical value was 2.54 for 1981-1983 and 3.23 for

1987-1989. The smaller this numerical value, the more balanced the degree of comparative advantage among all export industries, and the more intensified the degree of specialization of export industries.

IV. Concluding Remarks

This article has used the export achievement rate method to make certain attempts at quantitative analysis of China's export industrial structure, as one of the fundamental reference bases for the formulation of industrial policy. As China's export trade during a dozen years or so of reform and opening has doubled and redoubled, this is simply a comparison of our own absolute values. China will be faced in the 1990's with a new international business and trade climate, in which our export subsidies will be eliminated, our import restrictions will also have to be gradually eased, we will begin to practice a market economy at home, and free competition forces will come into greater play while, on the other hand, international trade protectionism will further increase in force. So the comparative advantage of China's export industries in the 1980's will be bound to change in the 1990's, either increasing, decreasing, or disappearing. And the comparative disadvantage of those industries that lacked comparative advantage in the 1980's might either continue to deteriorate or ease somewhat in the 1990's. Proceeding from the angle of optimizing our industrial structure, China should strive to intensify our manufacturing of finished goods, thus gradually winning advantage in technology- and capital-intensive industries, and shifting China's essentials endowments and density in this designated direction.

POPULATION

Xinjiang Enforces Minorities Family Planning Policy

93CE0617A Urumqi XINJIANG RIBAO in Chinese
19 Apr 93 p 2

[Article by Zheng Zhi: "She Smiles Contentedly: Gulisidan, Family Planning Cadre of the 49th Production and Construction Corps"]

[Text] Just as her name implies, (Gulisidan, in Uygur means "great numbers of flowers") she loves flowers, lots and lots of flowers, but she loves even more the children who resemble flowers. Upon seeing a child, she cannot restrain from embracing the child, from kissing its tender cheeks; and the fates have fittingly arranged it that she be concerned with the affairs of children.

This story, however, begins some four years ago.

People say that family planning is the most difficult work in the world; if that is the case, then carrying out family-planning among the minority peoples is doubly difficult. The 49th Production and Construction Corps farm has a total population of 8,721, with minorities constituting well over half this number. Family planning

work is very difficult. In 1989 the number of births exceeded the quota by 106 for a family planning success rate of only 42 percent; the natural birth rate increased by 24.8 percent and was criticized by higher authorities on many occasions. The corps farm party committee, fiercely determined to get control of birth control work, appointed Gulisidan, a 29-year-old nurse from the local hospital as the family planning specialist cadre.

After assuming the position, Gulisidan first made an exhaustive census of the women of child-bearing age, filling out a registration card and establishing a family planning casebook for each. To make sure that every family was familiar with family planning policies, she traveled by bicycle to each home and dwelling and to each herding area; she had heart to heart talks with the people out in the fields, under the grape arbors, in the farm courtyards; she dispelled the women's fears and helped solve their problems, delivered medicines to their doors. In the course of the investigations, she discovered a "excessive birth guerrilla band" active in the Qiawake and Bachu areas: the Third Company alone had 13 women pregnant outside the quota. She immediately called an on-the-spot meeting at the Third Company and after the meeting had the 13 women stay behind and using accounting and comparison methods, explained to them the population situation, propagandized the family planning policies; it was like waking them from a dream, and they went voluntarily to the hospital for their operations.

Fifth Company staff worker Maili Mushahan was over 50 years old, and pregnant with her ninth child. Gulisidan hurried to her house and found eight scrawny, emaciated children dressed in rags. Deeply concerned, Gulisidan asked: "What is the benefit of having more children...?" Maili Mushahan's husband Abdul Yusu impolitely cut her off saying: "Even if I have more children, they will not come begging to you for food! Children are God's gifts; you are disobeying the will of God, and God will punish you!" Gulisidan answered back: "The party and the government want us to have a good life: that is also what God wants for us, so why would he punish me?"

Maihaiti Reheman, a political commissar in the Eighth Company, had already adopted one son, and then wanted to adopt the child of his sister who was pregnant with her eighth child. When Gulisidan resolutely refused to allow it, Maihaiti pounded on the table shouting: "The corps farm leaders have all agreed to it, just who do you out-rank?" Gulisidan boldly and assuredly stated: "No matter who it is, they cannot give birth to an eighth child!" She immediately reported this matter to the corps farm party committee; the corps farm party committee supported her position, and ordered Maihaiti to apologize to her.

She can bear it when people do not understand her work and curse her; when she cannot come to a mutual understanding with her family, she is deeply hurt. Her husband Abdul Yili is a tractor driver and is often away

from home for long periods of time; Gulisidan often has to go out to the farm units and there is no one at home to care for her two children. In April 1991, her three year old son contracted hepatitis and had to stay in the hospital. One of the female workers in the ward divulged to her that there was a woman in the 13th Company pregnant contrary to the birth control plan. Gulisidan felt it was an emergency, asked another person to watch over her son, and drove her bicycle the 30 kilometers out and back, returning that night to the hospital. When she saw the tears running down the yellowed face of her little son, she broke into tears herself. Her husband railed at her: "You don't act like a woman, much less are you fit to be a mother! You wear yourself out and are cursed for your trouble! Is it worth it?" She answered: "Since I have taken on this work, I have to be responsible to the party and the government."

Her sweat and hard work have reaped substantial accomplishments. With the support and aid of the party organizations and comrades at all levels, Gulisidan has worked in family planning for four years. During this period, the 49th Corps farm has had 119 fewer births, 124 women have undergone sterilization; the planned birth rate has risen to 97 percent, the natural rate of population increase has fallen to 0.56 percent, and the farm has been cited as an advanced unit in family planning by the Production and Construction Corps. Gulisidan has received the title of "advanced worker in family planning" from the Third Agricultural Division.

She smiles contentedly.

Increase Spending for Xinjiang Family Planning

*93CE0617B Urumqi XINJIANG RIBAO in Chinese
27 Apr 93 p 6*

[Article by Du Jixun: "On the Benefits of Family Planning"]

[Text] The implementation of family planning is one of our nation's basic national policies. In 1976 this Autonomous Region began implementing family planning among the Han population and by 1989 it was in force among all nationalities. Based on female birthing level for 1975, over the past 17 years this region has had a total of 1.6 million fewer births. This number is equal to 40,000 more people than the combined populations of the five cities and prefectures of Kalamai, Shihezi, Kuitun, Turfan and Hami.

The experts estimate that rearing one person from birth to the age of 16 requires national and family expenditures of approximately 15,000 yuan based on current expenditure and material levels, averaged for both city and countryside. Extrapolating from this, 1.6 million fewer children have saved the nation and our families some 24 billion yuan. With this amount of money one could build 5.7 Dushanzi ethylene projects or construct six more Lanzhou-Xinjiang railway lines: it is the equivalent of 10 times this region's gross income for 1992.

The social benefits of the nonbirth of 1.6 million people is even more impossible to calculate with numbers. First of all, it has lessened the pressure on the nation and society as regards food, clothing, housing, transportation and daily necessities as well as education, health care, and employment. Secondly, its role as far as social stability, easing the crisis in resources, the ecology, and the environment, easing the contradictions between population and the economy, and promoting advancement in social prosperity need not be elaborated. Regarding population control, one can say that the work is today, the benefits are forever. During the 17 years our region has implemented family planning, the region and the various levels of financial departments have expended some 137.1 million yuan. This includes the four operations for birth control, cadre training, propaganda and education, contraceptive medicines and paraphernalia, various awards, the salaries of family planning workers and other expenditures. This means that for every one yuan invested in family planning services, we obtain 175 yuan in effective savings. No other material production unit can have such a high rate of return.

In 1991, after the central authorities issued Document No 9, regional party committee secretary Song Hanliang proposed an increase in the per capita annual family planning expenditures and most of the prefectures and counties increased their investments in family planning in accord with the request. However, the actual outlay for family planning work does not at all coincide with actual requirements. For instance, in 1992 only 28.85 million yuan was allotted to family planning work by all levels of financial offices in the region; this was only 0.53 percent of all annual gross expenditures, obviously too small a figure. Because of inadequate investment, the family planning departments are experiencing large shortfalls in expenditures, equipment is simple and crude, and there is no money to redeem the certificates for family planning operations being brought in by many farmers and herdsmen. A great number of county level family planning propaganda and technical stations even today still do not have basic work and living quarters; this seriously adversely affects the implementation of family planning work and adds more difficulties to the "most difficult work on earth."

The population situation in our region is at present extremely grim. For this reason, the leadership, cadre and masses at all levels must further enhance their consciousness regarding family planning, form a sense of historical responsibility regarding the population problem, and awareness of the era of crisis, a realistic sense of urgency, and fully recognize the importance of family planning work from the level of basic national policy and the second phase of our regional strategic target. We must increase the investment in family planning in an attitude of seeking truth from facts. In some localities, clear-headed leaders, knowing full well they will be running in the red, will continue to increase the financial and material investment in family planning work. Thus it is said, how much money is put into family

planning work within a prefecture is not entirely a matter only of economics: the key lies in one's understanding.

AGRICULTURE

Establishing Comprehensive Rural Service Systems

93CE0587A Beijing *GUANLI SHIJI* [MANAGEMENT WORLD] in Chinese No 2, 24 Mar 93 pp 90-94

[Article by Wang Pingsheng, affiliated with the Agricultural Economy Department of the State Planning Commission, edited by Shang Zengjian: "Accelerate the Development of the System of Socially Provided Comprehensive Rural Service"]

[Text] A system of socially provided comprehensive rural service is an important component of the rural tertiary industry. Accelerating the development of a system of socially provided comprehensive rural service—that is, establishing a multisectoral, multilayered comprehensive service network which is mainly based on the system of socially provided agricultural service, and which contains the service system serving the rural secondary industry and the system of rural markets—will play an important role in accelerating the development of socialist market economy in the rural areas, in raising the levels of specialization, commercialization, and modernization of agriculture, and in increasing the comprehensive capacity of agricultural production, represents an effective way of transferring the surplus rural labor force in an appropriate manner, and is also an important measure to increase the peasants' income, reduce the difference between urban and rural areas, and enable the people of the rural areas to lead a comfortable life.

The current state of the system of socially provided comprehensive rural service, and the main relevant constraining factors.

During the nineties, China's agricultural development has changed from being mainly the development of the agricultural economy to being the comprehensive development of agriculture, forestry, animal husbandry, sideline production, fishery, industry, commerce, the construction sector, transportation, and the service sector. The proportions of the rural primary, secondary, and tertiary industries to each other have changed, and the structures of those industries are being gradually adjusted. The rural economic situation has undergone great changes. The system of socially provided comprehensive rural service has also undergone significant development. The main features are:

1. A system of socially provided rural service, in a preliminary form, has been established. Currently, nationwide, there are 214,160 service establishments providing services for activities of agriculture, fishery, and animal husbandry production. Of those establishments, 327 are provincial-level establishments; 2,465 are

prefecture-level establishments; 6,724 are county-level establishments; 186,000 are township-level establishments; and 18,600 are establishments of other categories. Those establishments employ 1.17 million technical service personnel. Of those employees, 460,000 are technical cadres with state-cadre status; 330,000 are contract cadres and workers; and 380,000 are peasant technicians. In terms of agriculture in a broad sense, the nationwide service system providing services related to forestry, irrigation, and water conservancy has also undergone significant development. At the end of 1990, there were 35,000 district- and township (town)-level forestry stations nationwide; and the number of employees increased from 64,300 in 1985 to 140,000, representing an increase of 120 percent. Nationwide, there are 1,889 stations for forestry-related disease prevention and treatment and for quarantine work; there are over 2,400 establishments engaged in combatting forest fires; and there are 4,432 fire fighters specialized in forest fires. Nationwide, there are over 400,000 sub-county-level service organizations providing services related to irrigation and water conservancy. Of those organizations, 18,000 are country-level organizations; over 30,000 are district-and township-level organizations; and over 350,000 are village-level organizations. There are over 6 million people working in those organizations. There has emerged, in a preliminary form, a water-conservancy and irrigation service network which is founded on the work of the county-level irrigation and water-conservancy agencies, which is based on the district- and township-level irrigation and water-conservancy stations, of which the establishments handling irrigation and water-conservancy projects serve as the backbone, and in which the village-run water management organizations and individual operators engaged in business related to irrigation and water conservancy provide supplementary services. There has now emerged, in a preliminary form, a system of organizations providing services for agricultural production in which the state's technology and economics agencies serve as the main actors, which is based on collective economic organizations, in which agricultural research institutions, institutions of higher education, and peasants' technical service organizations provide supplementary services, and which integrates work in such areas as those of scientific research, experimentation, demonstration, training, the supply of means of agricultural production, the purchase of agricultural products, and the supply of funds.

2. There has been continuous development in regard to socially provided services for the rural secondary industry. In the past 10-plus years, the rural secondary industry which mainly consists of the township industry and construction industry has developed quickly, thus promoting the establishment and development of the system of socially provided services for the rural secondary industry. There has emerged, in an infantile form, a system of service for the rural secondary industry which is based on the provision of such services as technical service, labor service, and services related to

product sales, which mainly provides such services as quality monitoring, professional guidance, consulting, and information service, and which provides such supplementary services as those of transport, storage and materials supply.

3. Rural commerce and the rural service industry have developed quickly. In 1990, there were already 5.628 million merchandising establishments of various types in the rural areas, and there were 11.227 million people working in those establishments. Of those establishments, 800,000 were business branches of the supply-marketing cooperatives, employing 4.7 million people. There were 4.785 million collective and individual-operator merchandising establishments, where 7.69 million people were working; these figures doubled the respective figures for 1978 when the reform had not started. 200,000 scientific and technical personnel of the nationwide system of supply-marketing cooperatives are active on the forefront of agriculture all the time. Over 200,000 socially provided service establishments of various types providing services for agriculture have been set up. Of those establishments, 23,600 are "crop hospitals"; 41,000 are fertilizer- and insecticide-preparation stations; 35,000 are consulting service stations; and 100,000 are establishments providing other services. At the same time, a good start has been made in the efforts to introduce the practice of conducting production, supply and marketing business in an integrated way in the rural areas and in the efforts to develop wholesale markets. In the rural areas, integrated production-supply-marketing concerns, integrated agriculture-industry-commerce concerns, and integrated trade-industry-agriculture concerns of various forms and levels have been established or are in trial operation. Some localities have also set up many agricultural trading markets, agricultural-product wholesale markets, rural technical-personnel markets, and material-exchange markets, thereby promoting the development of socially provided rural services.

4. Such financial institutions as the agricultural banks and credit cooperatives have done a great deal of work in rendering socially provided rural services. In 1990, in the rural areas, there were 582,000 township-level credit cooperatives which conducted separate calculations of the results of their business activities; there were 320,000 village-level branches of credit cooperatives and credit centers which did not conduct separate calculations of the results of their business activities. Those establishments employ 786,000 full- and part-time workers.

In the process of the development of the rural economy, the work on rendering socially provided rural services has mainly been consisted of the following several aspects:

The first is the provision—before production begins—of services such as supplying improved-variety seeds, chemical fertilizer, irrigation services, mechanized ploughing, and services relating to farmland's irrigation facilities; the second is the provision—during production—of such services as crop protection, the prevention and treatment of livestock diseases, and spreading the use of technologies; the third is the provision—after production is completed—of such services as large-scale harvesting of crops, threshing, and the marketing, processing, storing, and transporting of products; the fourth is the rendering of extensive socially provided rural services by supply-marketing cooperatives, commerce organizations, foreign trade organizations, banks, credit cooperatives, insurance companies, scientific and technological research institutions, institutions of higher education, peasants' technical expertise associations, specialized cooperatives, and specialized households in the process of the development of the rural economy.

Under the new situation in the development of socialist market economy in the rural areas, the work of developing socially provided comprehensive rural services is faced with the following problems:

1. The operating and management mechanisms are not in a right shape, and this situation is constraining the development of the system of socially provided comprehensive rural service. The mechanisms are deficient in mainly two aspects: First, they are not able to meet the demands of the development of socialist market economy, and are unable to employ competition mechanisms in service work in an expeditious manner, to enhance the vitality of the service establishments, and to improve efficiency. Secondly, they are unable to provide better services contributing to the resolution of such difficulties as those in buying and selling agricultural products and means of agricultural production that exist in the rural economy. At the present stage, there is a certain degree of segregation among the sectors and organizations involved in the rendering of socially provided rural services. Generally, in all the rural townships or towns, there are grassroots-level branches of organizations engaged in the work in such areas as agricultural technology, farm machinery, animal husbandry, fishery, irrigation and water conservancy, business management, electricity, and grain as well as grassroots-level branches of industry-and-commerce organizations, credit cooperatives, and supply-marketing cooperatives. But, because of the constraints imposed by the current system, it is difficult for the various organizations engaged in rendering socially provided rural services to contribute to the achievement of the same overall objectives. As a result, the mechanisms of rendering socially provided services are not coordinated, and not all the necessary services are provided; and there has occurred the phenomenon of acting on the basis of short-term interest. All this has adversely affected the improvement of the overall efficiency of service work and the quality of service.

2. Such things as the shortage of funds, the outdated state of facilities, and the absence of institutions performing certain functions have all adversely affected the rendering of socially provided comprehensive rural services. At present, 36 percent of the counties, 20 percent of the townships, and 45 percent of the villages still lack the funds for setting up service establishments to spread the use of agricultural technologies. Many of the existing rural service organizations do not have all the necessary equipment, are still using old, outdated instruments and equipment, lack operational funds, and thus are unable to carry out normal service work. Some localities do not make sufficient investment in the development of establishments engaged in the spreading of the use of agricultural technology and in the development of supply-marketing cooperatives. There is also a lack of preferential policies on the operation and management of those establishments.

3. Policies have not been implemented, and are not coordinated; this situation is not conducive to service work. As the price scissors relating to industrial and agricultural products still exist and as agricultural production has low efficiency, is carried out under poor conditions, and entails high risks, the business of rendering socially provided rural services entails high costs and low returns. This situation is not helpful to the further development of the work. In the recent years, the center and the State Council have formulated a series of policies, calling for the strengthening and development of the work of rendering socially provided rural services, but some policies—such as those on resolving the problems of personnel quota and funds given to the township-level organizations providing agricultural technology services—have not been completely implemented in some places.

4. The system of socially provided comprehensive rural service is developing unevenly. According to an investigation carried out by the organizations concerned, in the eastern region, 73 percent of the improved-variety seeds and 85 percent of the mechanized ploughing and planting are covered by socially provided services; the relevant figures for the central region are 49 percent and 79 percent; and the relevant figures for the western region are 38 percent and 57 percent. In the western region, half of the villages are yet do have organizations providing services relating to crop protection and the prevention and treatment of diseases affecting livestock and poultry. Agriculture, rural industry, the rural construction sector are very different in terms of how they are served; the preproduction stage, production stage, and postproduction state of agricultural work are very different in terms of how they are served. Some urgently needed businesses—such as those of consulting, information service, real estate development, finance, and insurance—are still rather underdeveloped or in an infantile stage.

The development objectives concerning, and the tasks of, the system of socially provided comprehensive rural service.

In the period from now to the end of the century, encompassing part of the Eighth Five-Year Plan period, the objectives of the work of developing the system of socially provided comprehensive rural service are: to establish a system of socially provided comprehensive rural service which is multisectoral, multilayered, and multifunctional, and which is equipped with all the necessary facilities, equipped with advanced means, and appropriate to the functioning mechanisms of the socialist market economy, so as to provide comprehensive, serialized services for the agricultural production in the rural areas, for rural industry, and for the rural construction sector, thereby promoting the prosperity and development of the rural areas. The establishment of such a system of socially provided comprehensive rural service is a difficult job which involves many things. To handle this job well, it is necessary to meet the general requirements of the national economic and social development; and the goals would be to optimize the rural industrial structure, improve the overall capacity of agricultural production, and improve the living standards of peasants. Adhere to the principles of letting the state, collectives, and individuals all make an effort, consider local conditions, and make steady development. Fully exploit the energy of all sectors of society, exploit the enthusiasm of the various organizations and sectors, and accelerate the development of a system of socially provided comprehensive rural service which is mainly based on the system of socially provided agricultural service, and which is appropriate to the different levels of development of productive force in the various regions.

The main tasks to be accomplished are:

1. Establish a highly efficient system for rendering socially provided comprehensive services for agriculture. The main aspects of the work in this regard are to do a good job of supplying such means of agricultural production as improved-variety seeds, chemical fertilizer, insecticides, farm-use films, and diesel fuel before production begins; to do a good job of providing such services as those related to the spreading of the use of agricultural technologies, crop protection, the prevention and treatment of diseases and pest infestation, soil, fertilizer, farm machinery, farmland irrigation projects, irrigation and drainage, improved varieties of forest trees and saplings, animal husbandry, veterinarian medicine, aquiculture, and feed production during the process of production; and to do a good job of providing services such as processing, storing, transporting, and marketing agricultural, forestry, livestock, and fishery products. During the Eighth Five-Year Plan period, basically form a service network in which there are service centers in counties, service stations in townships, technicians and demonstration households in villages. By the end of the century, establish county-level comprehensive agricultural service centers in all the 1,000-plus counties which do not have such centers at present. It is necessary to perfect the existing comprehensive service centers in the rural areas. It is necessary to enhance the development of

infrastructure and to do a better job of having complete sets of equipment, so as to improve the quality of service. It is necessary to establish and develop grass-roots-level forestry stations, irrigation and water conservancy stations, and supply-marketing cooperatives on the basis of taking into consideration local conditions.

2. With regard to rural industry and the rural construction sector, give emphasis to developing a system which provides such services as those of quality monitoring, technology information, and marketing for the township industry. Develop and perfect the system of socially provided service which provides services for the development of, and construction in, rural villages and towns. Gradually form a socially provided service network providing services for the township industry and the building of villages and towns, a multilayered network which is mainly based on the rural tertiary industry and which carries out activities in many forms.

3. In order to provide all-dimensional services for the rural economy, it is also necessary to establish and perfect such national systems as the system of information, consulting, and early warnings on the rural economy, the system which handles disastrous weathers, flood prevention, flood drainage, the prevention of forest fires, and the prevention and treatment of diseases and pest infestation affecting forest trees, the system which handles diseases and pest infestation affecting crops, which forecasts epidemic diseases affecting animals, and which handles the examination of plants and animals at ports of entry, the agricultural weather-forecasting system, the system which provides energy-related services in the rural areas, the system which monitors agricultural, forestry, water and soli resources, the system of reserves of major agricultural products, and the comprehensive service system serving the state farms.

4. Energetically develop rural markets and other service systems. It is necessary to accelerate the reform of the system of circulation of agricultural products, and increase the supply-marketing cooperatives' service functions. It is necessary to accelerate the development of the rural financial and insurance industries, perfect and expand the collective service organizations engaged in fund-gathering in the rural areas, and enhance rural education and the development of the technical training system.

In the next decade, it is necessary to be market-oriented, to make science and technology the pillar, to center our work on efficiency, and to focus on service, so that there can be prominent progress in the development of those service systems. Form comprehensive service networks as soon as possible. Promote the integration of socially provided services for industry, agriculture, and commerce.

The main policy measures to accelerate the development of the system of socially provided comprehensive rural service

First, it is necessary to deepen the reforms, and to adapt to the new situation in the development of socialist market economy. The key is to do a good job in the following areas:

1. Move toward integrating the socially provided rural services. It is necessary to integrate the preproduction, production, and postproduction services for the rural economy, and carry out integrated management and development, so that there can be the integration of production, supply, and marketing as well as the integration of trade, industry, and agriculture. With the development of rural commodity economy, the commodity rate of agricultural products is getting ever higher, and the relations between the development of agricultural production and the marketing situation are becoming ever closer. Generally, agricultural production, processing of agricultural products, and marketing of agricultural products have common demands. Those common demands objectively mean that services provided in the preproduction, production, and postproduction stages need to be coordinated with agricultural production, so as to achieve mutual stimulation, thereby moving towards integrating all socially provided rural services. During the recent years, in some places in China, in response to the needs of the development of markets there have emerged economic-interest communities in which the circulation enterprises and enterprises processing agricultural and side-line products are the leaders, which are based on rural households and rural collective economic organizations, in which agricultural, industrial, and trade entities share responsibilities for risks and interests, and treat each other in a mutually beneficial, reciprocal way, by concluding contracts, sharing economic benefits, or pooling their assets, so as to achieve coordinated development. Those communities have achieved prominent results in providing serialized services for peasants in the preproduction, production, and postproduction stages, thereby demonstrating strong vitality. In the future, in order to develop socially provided comprehensive rural services, it is necessary to break down the barriers resulted from the division of labor between the various sectors and organizations so as to link up the economic organizations of different sectors, with different ownership statuses, and of different types, to break down geographical barriers, and to get organized in accordance with the needs of the development of commodity economy, thereby achieving common development.

2. Make the system of socially provided rural service move toward a situation where the service providers operate as businesses. At present, a system of socially provided rural service, in a preliminary form, has been established in China, but the system's role in promoting rural economic and social development has yet to be given full play. The reason why China has rather low agricultural labor productivity, low commodity rate of agricultural products, and low economic returns to scale in regard to the operations of rural agricultural households is, in addition to the objective factor of having a

large population but a relatively small amount of land, mainly that the social division of labor is not well-developed, that too much of the rural labor force is engaged in direct agricultural production, and that meanwhile there is a severe lack of labor force in the sectors providing services for agricultural production. The basic way to change this situation is to achieve development in the preproduction and postproduction stages of agriculture through developing social division of labor, so as to gradually reduce the labor force engaged in direct agricultural production and increase the labor force engaged in providing services for agriculture. At present, China has an agricultural labor force of over 0.34 billion people, but a labor force of approximately 30-plus million people working in the county-, township-, and village-level establishments which engage in rendering socially provided services; the size of the latter is less than one-tenth of the size of the former. However, in the United States, the size of the labor force engaged in providing services for agriculture in the preproduction and postproduction stages is nine times the size of the labor force engaged in agricultural production. Therefore, we should accelerate the transfer of surplus agricultural labor force, through developing rural collective service organizations and peasant-run service organizations. On the basis of considerations of the demands of the work of promoting specialization in agricultural production, accelerate the development of social division of labor by exploiting the current conditions, improve agricultural labor productivity, and increase agriculture's economic returns to scale, so that the sectors rendering socially provided services to agriculture can develop into a relatively independent industry.

3. Make the organizations rendering socially provided rural services move toward becoming enterprises. To have those organizations operate as enterprises do is the only way to make it possible that the system of socially provided comprehensive rural service can have its own accumulation and achieve self-development. In economically developed countries, the rendering of socially provided services for agriculture is based on the specialization-guided division of labor which has resulted from the development of commodity economy. Most service organizations would operate as enterprises do from the very beginning. As the comparative advantage regarding agriculture tends to be small in China, the enterprises and public institutions providing services for agriculture have for a long time been operating as quasi-enterprises or providing free services. Such a situation is not conducive to the conducting of service work. Therefore, in the future, it is necessary to gradually make China's system of socially provided rural service move toward operating as enterprises do. The enterprises and public institutions engaged in providing such preproduction services as those related to the purchase and supply of means of production and such postproduction services as those related to the processing, storing, transporting, and marketing of agricultural products can become enterprises in an accelerated manner. The rural collective economic

organizations providing production-related and technical services and the county- and township-level agencies engaged in the spreading of the use of technologies would still have to operate as quasi-enterprises for a long time. That is, they will continue to provide services mainly on the basis of preventing losses; and the service-related funds that they need but cannot find by themselves will come from the returns produced by such entities as processing and circulation enterprises which are to be developed. At the same time, it is also necessary to increase the variety of services, and improve the quality of services, so as to increase the service organizations' own capabilities to achieve accumulation and to develop. Those engaged in the crop-growing, livestock-farming, and aquaculture which generate high returns and the rural households which operate on a large scale can also be turned into enterprises.

2. It is necessary to set the relationships right, and to perfect the mechanisms, so as to provide organizational and institutional support for the development of the service system. Successfully rendering socially provided rural services is a complicated project of systems engineering. Thus, it is necessary to enhance macrolevel regulation, control, and management. It is necessary to carry out the work in connection with the reforms of the systems at various levels, so that the work carried out by the various organizations and sectors can contribute to the achievement of the same overall objectives. Governments at various levels, and especially at the county and township levels, should combine structural reforms with the transformation of functions. Make the governments stop performing the unnecessary administrative functions, through the reforms of the county- and township-level systems. Enhance the role of services, and increase the variety of services. Integrate the services provided by different organizations and sectors.

1. In reforming the township-level system, it is necessary to focus on solving the problems relating to the improvement of services provided by, and coordination among, the farm machinery stations, agricultural technology stations, water management stations, forestry stations, veterinarian stations, business operation stations, credit cooperatives, supply-marketing cooperatives, and other establishments in the townships. The various township-level stations, offices, and cooperatives can conduct joint operations to provide services on a voluntary basis and without changing their places in the scheme of administrative supervision. With the deepening of the reforms, it is also proper to gradually merge the relevant stations, offices, and cooperatives, so as to establish comprehensive service stations, thereby becoming more effective in providing serialized, comprehensive, and coordinated services for the peasants in the preproduction, production, and postproduction stages.

2. In relation to the reform of the county-level system, do a good job of integrating socially provided rural services under the precondition of centering efforts on transforming the functions of government agencies.

Break down the barriers created by the scheme of administrative supervision, break down the barriers created by the differences in ownership status, and break down the barriers between different administrative areas, so as to organically integrate the industrial, commerce, and trade organizations; to provide serialized services for peasants in relation to production, supply, and marketing; to conduct trade, industry-related, and agriculture-related businesses in an integrated manner; to resolve the problems created by vertical and horizontal segregation and by the separation of production from marketing; to provide multisectoral, multifunctional, multiform services in an integrated manner; and to make the various sectors complement each other, thereby making the various socially provided rural services contribute to the achievement of the same goals. Develop the system of socially provided rural service through developing business entities. It is necessary to resolutely cut down the sizes of the excessively swollen administrative agencies and public institutions, so as to have a small government and a great deal of services. This can both resolve the difficulties in developing the system of socially provided rural service caused by a lack of trained personnel and of technical expertise, and give opportunities to the office cadres so that they can make use of their abilities, thereby changing the situation in the rural areas in which the necessary work is not being done, while people in government offices are idling along.

3. Gather funds through multiple channels, so as to enhance the development of the service system. The development of the system of socially provided rural service requires large amounts of investment. It is necessary to adopt the method of letting the state, collectives, and individuals all to make an effort, and to gather funds through multiple channels. The central government and local governments at various levels should mainly invest in the construction of various nationwide or multiregional service systems. Do a good job of making arrangements on the key projects such as the projects of infrastructure facilities related to the demonstration, selection, processing, storage, and examination parts of the work on improved-variety development and the infrastructure facilities related to the networks forecasting problems of disease and pest infestation affecting crops, the centers for soil and fertilizer testing, veterinarian centers, feed testing centers, the system that handles the forecasting of forest diseases, pest infestation, and fires as well as the prevention and treatment of epidemics affecting forests and related examinations, irrigation, water conservancy, flood prevention, and flood drainage. Part of the investment for states and the various localities in capital construction, comprehensive agricultural development, poverty alleviation, and the construction of bases of production of various agricultural products should be devoted to the development of socially provided services. The state's fiscal agencies, financial institutions and other relevant sectors and organizations should all use funds and materials to support this work. The localities can set up special-purpose funds to be used for the development of the

system of socially provided rural service. Part of the revenues produced through the collecting of technology-improvement fees related to agricultural products and of fees related to the increase of fishery resources and the revenues from taxes on special agricultural and forestry products should be used for spreading the use of agricultural technologies. It is necessary to charge preferential interest rates on the agricultural loans used for the operational activities of service organizations. At the same time, it is necessary to encourage and push township enterprises, various organizations, rural collectives, and groups of peasants to set up various service establishments. Increase the use of foreign investment and cooperation with foreign businesses in the process of developing the system of socially provided comprehensive rural service. The supply-marketing cooperatives should continue to gather funds through issuing more shares and through other channels, and enhance the development of the service system.

Fourth, it is necessary to create good external environment and conditions for the development of the system of socially provided comprehensive rural service. To that end, it is necessary to do a good job in the following areas:

1. Implement policies. Expediently implement the State Council's Circular on the Enhancement of the Development of the System of Socially Provided Agricultural Service, and the policies contained in the relevant documents, making full use of the existing rural policies and doing a good job in that regard. It is necessary to enhance the organizational and leadership work. The agencies and institutions engaged in the work in such areas as agriculture, forestry, irrigation and water conservancy, science and technology, education, commerce, supply and marketing, foreign trade, finance, materials, construction, and weather forecasting should give even more emphasis to the work of rendering socially provided rural services, and should support—and cooperate with—each other, on the basis of considerations of their own characteristics. It is necessary to increase the material benefits given to workers rendering socially provided comprehensive rural services, and improve their working conditions, so as to promote the development of service work.

2. Enhance the development of rural markets. Vigorously develop the rural tertiary industry. Actively develop various trading markets, wholesale markets, and materials and technology markets in the rural areas. Enlarge the markets, improve the communication, storage, and transport capacities, and perfect the mechanisms of managing the markets. It is necessary to further accelerate the price reform relating to agricultural products and means of agricultural production, enliven circulation, break down interregional and intersectoral barriers, and establish good market order.

3. Enhance the development of laws in the area of socially provided comprehensive rural services, and formulate laws and regulations necessary to the successful proceeding of this work as soon as possible.

4. Enhance the development of small rural towns. Develop and perfect the system of socially provided comprehensive rural service by giving play to the role of small towns as political, economic, and cultural centers in the rural areas. Small towns are important places of commodity production and exchange in the rural areas. Rural industry and the tertiary industry represent large shares of the economies of small towns which also occupy important geographical locations. Thus, in those places, it is possible to render large amounts of socially provided services, while incurring relatively small costs.

Zhejiang Adjusting Agricultural Structure

93CE0554B Hangzhou ZHEJIANG RIBAO
in Chinese 5 Apr 93 p 1

[Article by Shen Longyan (3089 7893 1750): "The Gardens Are Filled to Bursting With the Beauty of Spring—An Assessment of the Current Rural Situation in the Province"]

[Text] The current rural situation may be capsulized in the single word "alive." Morale of the far-flung rural cadres and masses is high; a further emancipation of thinking has occurred; and the climate for rural reform and development is very good. The various elements of production show more vigor; momentum for the development of "one premium yield and two high yield" agriculture is very good; township and town enterprises are developing very rapidly; the pace of change toward a market economy has picked up; and the rural economy has entered an unprecedentedly brisk period.

This year is a good one for another fairly large scale readjustment of farm crop patterns in the province as a follow-on to the readjustment made in 1985. At the present time, readjustment is proceeding smoothly. A fine beginning has been made. Specifically, marked improvements have been made in the kinds of grain grown. Forecasts call for a possible 1 million mu premium rice growing area throughout the province in 1993, and a possible 10 million mu intermediate quality rice growing area, the intermediate and premium quality rice growing area accounting for more than 90 percent of the area sown to early paddy. Non-grain crops are also being developed very well. Everywhere in the province, people have widened their thinking about the importance of grain production. They have a stronger conception of large scale grain and food production; new strides have been taken in externally oriented agriculture; and the setting up of agricultural bases, the growing of certain crops in certain regions, and greater standardization is gradually taking place in agricultural production.

New ways of coupling peasants with markets have developed, and a number of agricultural turnkey organizations have appeared that enable countless independent

commodity producers to connect with domestic and foreign markets. Right now, all sorts of turnkey organizations are developing rapidly. These organizations represent mostly businesses and processing enterprises. They both undertake the transportation, sale and processing of agricultural products and provide technical guidance and financial assistance to peasant households. Markets are also a turnkey. The pace of farm product market construction has quickened. Today, the province has 1,263 markets for agricultural and sideline products of all kinds. In 1992, these markets did 6.9 billion yuan worth of business. These markets include 162 agricultural and sideline product wholesale markets that did 2.9 billion yuan worth of business in 1992. In addition, a large number of peasant buying and selling personnel and buying and selling organizations have appeared to enliven every realm of the rural economy. They have introduced farming and breeding industries, forestry and orchard industries, animal husbandry industries, and marine fishing industries. By using the share system for key production elements such as labor, capital, land, and technology, they have advanced the rational flow and organization of key production elements.

Building of a socialized service system has also seen further advances. Zhejiang Province has scored heartening achievements in the reorganization of its socialized service system to meet the needs of the socialist market economy. In particular, experience has been gained in the reform of county level government units connected with agriculture. In the process of developing a socialized service system, many places in the province have also created many services that both meet the needs of the market economy, and also express the desires of the masses. Examples include the service cadres used in some places such as Wenling County, and the machine plowing association in Yucheng Township, Haiyan County.

Preparations for spring planting are fairly complete, and township and town enterprises have grown very rapidly. Following a provincewide telephone conference on spring farming preparations, every jurisdiction spread the word and put it into effect. Reports from all jurisdictions show ample supplies of chemical fertilizer, agricultural pesticides, agricultural plastic, farm implements, and seeds sufficient to meet production needs in an overwhelming majority of places. Supplies of diesel fuel are fairly tight, however. Fairly good work has been done in building large water conservancy projects in 1993, but small farmland water conservancy capital construction is relatively weak. The province's township and town enterprises developed rapidly in 1993, the gross output value of the province's township and town industries totaling 24.76 billion yuan for January and February. This is 64.54 percent more than for the same period in 1992.

While fully endorsing mainstream rural trends, we must also take a clearheaded look at some new situations and new problems that have appeared in rural villages today. The main problems are: a possible too great a reduction in the paddy area in the course of readjusting crop

patterns, peasant lack of information to guide them, and a certain mindlessness revealed in the readjustment of non-grain crops and cash crops. In addition, because of last year's losses from the growing of grain, in some places, peasants no longer contract and have given up farming. Some places have not moved ahead rapidly enough in signing contracts for grain procurement; concessionary policies and protection prices have not been employed greatly; in most places, procurement contracts have been signed only with villages rather than with individual peasant households; some places still apply the former fixed procurement methods; and assessments are levied on peasant households at successive levels of government. In addition, some important policies for improving agriculture have not been implemented in some places. Some problems remaining from the 1992 "revocations, expansions, and mergers" have yet to be solved conscientiously, and relationships have yet to be straightened out.

Zhejiang Works To Reduce Peasant Burden

*93CE0554C Hangzhou ZHEJIANG RIBAO
in Chinese 21 Apr 93 p 1*

[Unattributed article: "Government at All Levels Paying Close Attention to the Protection of Peasant Interests. Peasant Burdens in Zhejiang Lower Than Nationally Prescribed Limit, But Unevenness Exists Between One Place and Another and the 'Red Line' Is Crossed in a Small Number of Counties"]

[Text] What is the peasant burden situation in Zhejiang Province? A recent survey conducted by provincial agricultural, supervisory, and legal system departments shows a 46.62 yuan per capita peasant burden in Zhejiang Province from village withholdings and township uniform assessments in 1992. This was 4.7 percent of per capita net income, an amount lower than the 5 percent prescribed in the State Council "Regulations."

Information provided shows that leaders and agencies concerned at all levels in the province have done much work in recent years to reduce the peasant burden. While actively encouraging development of the village economy, they have worked on sorting out, examining, and verifying documents relating to peasant burdens, rescinding and revising a number of unfair and illegal peasant burden items. In addition, they conducted a wide-ranging check up of village (and cooperative) finances as a result of which most villages (or cooperatives) instituted democratic money management and open accounting systems, thereby effectively protecting the legal rights and interests of the peasants. More detailed statistics show the following: a direct peasant burden of 393 million yuan from village withholdings throughout the province in 1992, and 135 million yuan in township uniformly assessed fees, the two amounting to a 14.99 yuan per capita peasant burden, or 1.67 percent of net per capita income in 1992. Another 31.63 yuan in fees was paid by township and village collective economy organizations on behalf of the peasants.

Nevertheless, persons concerned note that the statistics reflect the situation in only a rough way. The actual situation is no cause for optimism. Even though peasant burdens do not exceed 5 percent in the province overall, inequities exist between one region and another including crossing of the 5 percent "red line" in 25 counties (or Municipalities). Some places have yet to list fees paid for planned parenthood, township and village school operation, and the building of township and village roads in the unified township fees as the "Regulations" require, and they also raise money through collections, assessments, and fines. This means that the actual amount of money obtained through village withholdings and township uniform assessments is far larger than the figures show. In addition, some places collect the same fee more than once, different agencies collect fees, arbitrary assessments are made, and arbitrary fines are levied to a fairly serious extent. For example, a per capita education fee is collected, and another collection is made for every student attending school. If 1992 village withholdings and township assessments had been made in accordance with the "Regulations" in Yundong Village, Buyun Township in suburban Jiaying, the per capita burden would have been 35.47 yuan. However, additional social burdens raised the figure to 153.98 yuan, or 12.97 percent of per capita net income, an amount far in excess of the 5 percent limit.

In addition, some problems exist with village withholdings and township uniform assessments such as a lack of transparency, and some money being indiscriminately transferred or diverted to other purposes, etc.

For this reason, persons concerned feel that we should not adopt an easygoing attitude because "the overall situation is pretty good." All jurisdictions should conduct a thorough survey and analysis in rural villages, unambiguously reducing or abolishing excessive burdens, arbitrary assessments, and arbitrary fines.

Zhejiang Issues Circular on Misusing Arable Land

*93CE0554D Hangzhou ZHEJIANG RIBAO
in Chinese 25 Apr 93 p 1*

[Article by Correspondent Pang Cheng (1690 2110): "Provincial Government Issued Notice Several Days Ago Calling for Genuine Improvement of Land Control To Halt Arbitrary Takeovers and Reckless Use of Cultivated Land"]

[Text] Several days ago, the Zhejiang Provincial Government issued a circular notice requiring all jurisdictions to genuinely improve land control in order to halt arbitrary takeovers and reckless use of cultivated land.

"The Notice" said that since last year arbitrary takeovers and reckless use of cultivated land have recurred in quite a few jurisdictions, the absolute figure for cultivated land takeovers for nonagricultural construction greatly exceeding last year. Governments at all levels are to intensify propaganda and education to increase the sense

of urgency and the sense of responsibility of the broad masses of cadres and the public about the land issue and the protection of cultivated land, handling well the correlation between economic construction and protection of cultivated land. Land use approvals must be strictly according to law. All jurisdictions are to examine the land control administrative regulations and policy documents that they themselves have drawn up. Should any of them be found not to be in accordance with applicable laws and regulations of the state or the provincial land control bureau, and particularly should any of them arrogate to the local jurisdiction land examination and approval authority, they must be corrected at once. Policy provisions that are rescinded must be publicized.

"The Regulations" require all jurisdictions to improve development zones use of land, guiding their healthy development. Except for those approved by the State Council and the provincial government, all kinds of existing development zones are to be examined by cities (or prefectures), a diligent investigation and validation carried out. Those meeting requirements are to be reported to the provincial government or the State Council for approval. Impractical development zones, too large a number of development zones, development zones that cover too large an area, and development zones that use cultivated land—particularly high yield grain fields—are to be resolutely cancelled or merged, and scaled back. Places meeting requirements may establish small industrial zones. Following issuance of a preliminary development zone land use license, planning of how the land is to be used for the project must be approved in accordance with legally prescribed examination and approval authority. The construction of development zones and industrial parks must adhere to the principle of using projects to stimulate development and to snowball development. Tracts must be developed one at a time, built one at a time, and produce results one at a time in order to prevent a situation of spending all available funds on site preparation and the building of infrastructure without having any completed projects to show for it that results in abandonment of the land. In the small number of places where land is abandoned, forces must be organized at once to conduct examination and study preliminary to taking remedial actions, a determined effort made to return the land to cultivation. Land already approved for takeover (or use) must be used within a fixed period of time. If land remains unused and out of cultivation, a fallow land fee is to be collected. Should the land not be used within two years after takeover, it is to be recovered according to law.

"The Notice" also requires that all jurisdictions accelerate and intensify reform of their land use systems, governments at all levels to adhere to the principle of equal emphasis on control of land resources and control of assets, putting into effect uniform planning, uniform takeover, uniform development, uniform transfer, and uniform control procedures for land to be used for construction. Legal, economic, and administrative measures must be used to regulate the supply and demand for

land to foster regular real estate markets. Standards for the sale of land use rights should be broadened. Government must monopolize the sale of land use rights, land administration units organizing implementation on behalf of the government, no unit or department permitted to sell land itself.

Shandong Takes Steps To Improve Grain Circulation

93CE0554E Jinan DAZHONG RIBAO
in Chinese 25 Apr 93 p 1

[Text] The provincial government recently inaugurated new reform measures for grain to accelerate the pace of reform of the province's grain circulation system.

1. Retention of the amount of fixed grain procurement, grain procurement prices to be decontrolled. When the fixed grain procurement price is higher than the extra added price on the guaranteed price [baohujia jiajia waijia], payment is to be made at the market price. The amount of fixed procurement is to be set before spring planting and production begins each year, township and town governments organizing grain departments to sign contracts with rural economic organization major grain growers or rural peasant committees, quotas assigned directly to individual grain selling households.
2. Producers and marketers are to conduct face-to-face grain dealings between cities and prefectures within the province, sign supply and marketing contracts, and strictly abide by them. Alternatively, trading may be done in wholesale markets for the gradual development of futures trading.
3. Guaranteed military grain supply. Following the decontrol of fixed grain procurement prices, the ad interim price at which grain and edible oil is supplied to the armed forces is to be uniform sale price prior to the decontrol of grain prices, units dealing in grain guaranteeing supplies. Any difference between the list price and the market price that this causes is to be subsidized by public finance units.
4. Establishment of a local grain reserve system. A 1 billion kilogram local grain reserve is to be established throughout the province. Subsidies to defray reserve expenses are to be included in fiscal budgets at all levels.
5. Active support to the development of grain enterprises. The prevailing concessionary policies of peoples governments and units concerned at all levels regarding state-owned grain enterprises are to remain unchanged. Existing local public finance subsidization and applicable special subsidization of grain enterprise losses is not to be revoked for three years.

Spring Drought Effects Shandong, Hebei Provinces

Severe Drought in Shandong Province

93CE0558A Jinan DAZHONG RIBAO in Chinese
30 Apr 93 p 1

[Article by Qiu Yongwen (1471 3057 2429) and Liu Bingzhong (0491 3521 1813): "Party, Government, Army, and People Everywhere Pitch In To Set Off a Great Upsurge in the Fight Against Drought To Protect Spring Sowing and the Summer Harvest in the Province"]

[Text] During the present spring drought, the party, government, army, and people everywhere have pitched in to set off an upsurge in the fight against drought to protect spring sowing and the summer harvest. According to 26 April statistics, more than 9 million people have joined the fight against drought throughout the province; 102,000 cadres have been dispatched; some 520,000 pieces of machinery and equipment of all kinds are in use; and 58 million mu of farmland is being watered, including 43.15 million mu of wheat fields.

The drought has spread rapidly throughout the province since the beginning of the year. As of 26 April, 43 million mu of land in the province was drought stricken, 18.4 million mu of it severely. The number of people in rural villages lacking water has increased to 3.07 million. In addition, the drought and lack of water has hurt normal industrial production. Faced with the drought, the entire province from top to bottom has turned to, sparing no effort and working closely together. Despite a difficult financial situation, the provincial government has allocated 3 million yuan to support the fight against drought. Since the lunar New Year, the Bank of Agriculture throughout the province has issued 500 million yuan specifically to fight drought. Meteorology departments have stepped up forecasting of the drought situation and rainfall. Nearly 10,000 officers, men, and reserves of the provincial military region have been committed to the front line in the fight against drought. All jurisdictions in the drought area have strengthened leadership, taken vigorous actions, opened up water sources, and assembled manpower and financial resources to support the fight against drought for "dual protection."

Information that the provincial Water Conservancy Department has provided shows the fight against drought in the province remains extremely grim. The amount of water in large and medium size reservoirs throughout the provinces amounts to only 1.078 billion cubic meters, versus 1.3 billion cubic meters during the same period in normal years, and it is falling sharply by between 10 and 15 million cubic meters daily. Throughout the province, 14 principal rivers have virtually stopped flowing and the underground water table has fallen greatly. Virtually no water worth mentioning remains in 83,000 mechanized wells and open mouth wells, and 12,000 reservoirs and ponds have dried up.

All jurisdictions should redouble efforts to tap water sources to obtain water in order to fight the drought and for use in daily life.

Hebei Drought Relief Measures

93CE0558B Shijiazhuang HEBEI RIBAO in Chinese
3 May 93 p 1

[Text] [Boxed item] Continue the policy of reduction or exemption from the agricultural tax in disaster areas and the supply of grain at reduced price to disaster-stricken persons. Continue the previously set concessionary policy regarding grain rations for people evacuated to reservoir areas. Permit township and town grain stations to supply special grain-short households with grain first for payment later, supplying rations for six months to ensure that no problems occur. Funds to help the needy and relief disaster must be issued at once, designated funds used for designated purposes, no equal distributions permitted, no favoritism toward relatives and friends permitted, and no diversion to other purposes permitted; violators are to be investigated and severely punished.

Excerpted From "Policy Provisions for State and Provincial Support for Agricultural Production in 1993." [end boxed item]

Hebei Province Allocates 48.5 Million Yuan in Disaster Relief; 16.07 Million People Lack Grain

Sustained drought has caused serious hardships for the production and livelihood of the people of Hebei Province. During the winter of 1992 and the spring of 1993, the province made four allocations of disaster relief funds totaling 48.5 million yuan to help disaster-stricken people battle disaster to make it through a lean year and revive production. However, since the drought situation in the province is severe, most of the disaster area is located in hard pressed mountain regions and places that continually suffer from disaster, local financial resources are in short supply, and the disaster-stricken people have no resources, real hardships remain very great. Statistics show a population of 16.07 million throughout the province as lacking grain from early March until the summer harvest, the grain shortage amounting to 857 million kilograms.

Need To Help Disaster Victims Purchase Grain

Comrade Editor:

Since grain prices were decontrolled half a year ago in Qinhuangdao City, grain units no longer plan quotas of grain to be resold to the peasants, and disaster victims must buy grain at the market price. Not only does this mean more must be paid for grain rations, but it increases the grain buying difficulties of the orphaned, old, ill, and crippled disaster victims. In this connection, we suggest the following: 1) Each jurisdiction establish a grain disaster reserve system from which supply must be assured whenever disaster relief is needed. 2) A uniform disaster victim grain ration supply price so that the price

of disaster victim grain rations do not fluctuate with the market. *Hebei Province Civil Affairs Department. Chang Weimin [1603 3634 3046]*

Shijiazhuang City Allocates 300,000 Yuan To Solve Drinking Water Problems of People and Livestock in Mountain Regions.

Little snow last winter and no rain this spring have produced a drought. At the present time, 22,000 people and 35,000 head of livestock in 35 villages in Shijiazhuang City are seriously short of water. This includes more than 10,000 people in 15 villages who must haul water from elsewhere. In order to solve the drinking water problems of people and livestock in mountain regions, Shijiazhuang allocated more than 300,000 yuan in supplementary funds on 27 April to be used for drought-stricken village drinking water projects and the hauling of water by drought-stricken villages.

Cixian Allocates 80,000 Yuan for Disaster Victims' Purchase of Water Transportation Equipment.

On 20 April, Cixian raised money in various places to allocate 80,000 yuan as an assistance fund for people and livestock having difficulties obtaining water to help the masses in disaster areas solve the problem of getting water for daily life and to fight drought. Mechanized wells and pumping stations have been maintained in three locations, and more than 20 pieces of water transportation equipment have been purchased to alleviate the drinking water difficulties of people and livestock in mountain and hill regions.

Two Hundred Mu of Wheat Completely Withers and Dies in Qiaojiazhuang Village, Yuanshi County.

As a result of the protracted drought, Qiaojiazhuang Village located in the western hill and mountain region of Yuanshi County had no summer or summer harvest in 1992, and during the spring of 1993, more than 200 mu of wheat completely withered and died for lack of a single rainfall. The village's only 15 meter deep open mouth well has gone dry, and the villagers are having serious difficulties finding drinking water. The work force of every household spends two-thirds of each day hauling water over a round trip distance of 6 kilometers. Currently, the county CPC committee and the county government are organizing cadres to go into villages to discuss disaster relief plans with the masses.

Cadres Mobilized Against Drought

*93CE0558C Shijiazhuang HEBEI RIBAO
in Chinese 1 Apr 93 p 1*

[Unattributed article: "Thirty Thousand Cadres Throughout the Province Transferred Down to the Countryside and Into Villages. Widespread Mobilization of the Masses To Fight Drought To Protect Spring Sowing and the Summer Harvest. Provincial CPC Committee Office and Provincial Government Office Issue Urgent Notices in This Regard"]

[Text] **31 March Dispatch.** The provincial CPC Committee Office and the provincial government Office issued an urgent notice today on the organization of a large number of cadres to go into rural villages to work on spring planning and production.

The notice said that spring planting and production is already fully underway from south to north throughout the province, but the drought situation is worsening with each passing day. More than 60 million mu of farmland throughout the province is devoid of or deficient in moisture. This will have an extremely bad effect on agricultural production in 1993. In order to diligently implement the important instructions of the CPC Central Committee and the State Council on buttressing agriculture and rural work, the masses have been mobilized over a wide area to fight drought to protect spring planting and the summer harvest. The provincial CPC committee and the provincial government have decided to transfer 30,000 cadres from throughout the province to the front line of spring planting and production at once.

1. Organization of leaders. The provincial CPC committee and the provincial government have set up a "one resistance and double protection" [resistance to drought and protection of spring planting and the summer harvest] leadership team headed by provincial CPC committee deputy secretary Li Bingliang [2621 0014 5328], with deputy provincial governor Zhang Runshen [1728 3387 6500] as deputy team leader. All prefectures, municipalities, and counties must establish corresponding organizations. All jurisdictions and all departments must transfer main forces to the countryside and put principal leading cadres in charge of them. Cadres going to the countryside from all levels must focus on principal wheat and cotton growing areas, on areas where the drought is most severe, and on needy areas while paying appropriate attention to other areas.

2. The main task. The first task is to publicize the spirit of the instructions of the CPC Central Committee and State Council, and of the provincial CPC committee and provincial government regarding the bolstering of agriculture and rural work, and full implementation of policies and regulations drawn up by the CPC Central Committee and the State Council, and by the provincial CPC committee and the provincial government for the genuine lightening of peasant burdens to protect the rights and interests of the peasants. The second task is to organize and stimulate rural cadres and the masses to throw themselves wholeheartedly into the "one resistance and double protection" battle, to do a good job of spring planting and production, to put in place the eight norms that the province has set, and to support full implementation of policies, and of area, technology, and material services, and responsibility systems. The third task is to conduct thorough investigation and study, to listen to the views and appeals of the masses, and to pay attention to the discovery of new situations, new experiences, and new problems in rural reform and development.

3. Work methods. Except for a small number of cadres that the province and prefectures transfer to roving investigation, all others are to go to townships and villages to provide concrete assistance with "one resistance and double protection." Cadres going to the countryside from all levels and all units are to carry forward the fine traditions of the party, truly involve themselves, eat and live in the villages, link up closely with the masses, help the peasants solve their real problems, and report matters factually. Prefecture, municipality, and country party and government leading comrades and comrades having specific agricultural responsibilities are focus on one or two matters, and apply experiences in one area to a wider area to guide work. Feedback must be given at once and solutions found for major problems encountered in "one resistance and double protection," "One resistance and double protection," offices at all levels must keep abreast of events at all times, and provide feedback through channels.

4. Timing. Personnel going to townships and villages must be in place before 5 May and begin work at once. In general, they should complete spring planting tasks by the end of May. In certain places where spring planting and production tasks are heavy, the time may be extended appropriately.

Commentary on Preserving Rice Paddy in Heilongjiang

93CE0554A Harbin HEILONGJIANG RIBAO
in Chinese 14 Apr 93 p 1

[Editorial: "Need To Think Ahead a Little"]

[Text] The inclination to change paddy fields into soybean fields that has cropped up in Qing'an is fairly universal throughout the province. It is particularly prominent in wetland and dryland intercropping areas in which fairly good results have been obtained in recent years from the change from dryland crops to paddy fields. The reason is that the peasants feel that paddy is

hard to sell. It does not bring a good price. It is not as profitable as growing soybeans. This inclination bears close attention in all jurisdictions, and should be resolved properly.

Statistics from the provincial departments concerned show that since 1988 the changeover from drylands to paddy fields of lowlying waterlogging-prone drylands in miscellaneous food grain growing areas has increased by 1 million mu yearly, a heartening readjustment of the structure of farming in the province resulting thereby. These areas have invested a lot of manpower, material, and financial resources in the building of irrigation ditches, in field engineering work, and in sinking wells and equipping them. After many years of improvements, a stable production capability has been built. If peasant households in some places mindlessly convert wetlands to drylands for the growing of soybeans, the paddy field production capability built up over so many years will be wrecked overnight. The fairly rational farming structure built with so much effort in the province's rural villages will also be destroyed, causing losses for agricultural production and the rural economy.

With the turn toward a market economy, that the peasants must decide what to grow and what not to grow on the basis of the market situation is indisputable. Nevertheless, leaders at all levels should view matters from a higher and longer range perspective. They should think in terms of what is good for the peasants themselves and for the long-term development of the entire rural economy, and guide the peasants in weighing advantages and disadvantages to make a correct choice.

The method that Qing'an adopted to resolve this problem, namely careful figuring of returns, assistance selling rice, and granting concessions is a pretty good method. Qing'an is a main paddy growing area that has its own special characteristics. Other places that have this inclination should also use a similar method based on local realities to guide the peasants in making a correct choice.

Intellectual Dilemma: Accept or Resist Dictatorship

93CM0339A Paris MINZHU ZHONGGUO
[DEMOCRATIC CHINA] in Chinese
No 15, May 93 pp 72-74

[Article by Wu Jiang: "Chinese Intellectuals' Dilemma—Neoconservatism and Other Issues"]

[Text] Editor's note: A mainland intellectual specifically had this essay taken out of China by an American friend. It is not difficult for us to sense the conscientiousness and hard thinking while reading the essay. This essay is hereby specifically recommended. [end editor's note]

I. The Question of Mentality Behind Academic Debate

Not long ago, some people began to play the music of "neoconservatism." As the music sounds choppy, it has failed to make others follow suit, but has made the player appear to be trying to curry favor with the power holders. Nevertheless, people's mind is once again troubled by a debate similar to the previous one over neoauthoritarianism.

The issue has an academic aspect. Thus, it is proper to have a debate over the issue, and to have views on the issue tested against what happens in practice in the future. But the issue also has another aspect; it reflects a dilemma that Chinese intellectuals have no way of avoiding facing, that is, whether to cooperate with the autocratic rulers. When the autocrats are using repressive means to suppress freedom and democracy, while pressing ahead with a modernization program, considerations based on value rationality, on the one hand, and on instrumental rationality, on the other hand, can result in a dilemma. People would try, as much as possible, to make value judgments on the basis of taking account of actual facts. If temporary autocracy can lead to democracy in the future, then it is tolerable. If the use of evil means can lead to the achievement of a good end, then we should support the use of such means. Of course, if autocratic rule cannot result in the ultimate attainment of democracy, then it is necessary not to support such autocratic rule.

If we now have to do thinking on issues we met before, then our thinking this time must be, in any case, more profound and sophisticated than before. For instance, we cannot avoid the following question: Surely, we should not be so immature and naive as to shun all evils, as sometimes temporary evil can lead to long-lasting good; but from a moral standpoint, is there an upper limit to our tolerance of evil beyond which evil becomes absolutely unacceptable? In addition, previously, many people based their argument on the simple acceptance of the view that means and ends would ultimately come together. They did not dare to imagine the most difficult situations so as to test their judgment capabilities. They believed that the ultimate goals of the rulers' efforts to pursue efficiency in economic construction and of the intellectuals' efforts to pursue freedom and democracy

were, unexpectedly, the same (fortunately they were actually faced with a simple fact—which is also likely to be the situation in the future: the rulers' evil deeds on matters involving morality were always inseparable from their incompetence for undertaking economic construction). However, what if a bad guy is also an effective operator? What if the performance of the autocrats is such that people's material needs are largely met? Can an intellectual abandon his moral stand in the face of such a situation?

Some people discuss neoauthoritarianism in an effort to pursue theoretical thinking, while others do that because of a psychological need. It is perhaps the intellectuals' hobby to use theory to justify their own actions. When those people have acquired the motive to cooperate with the rulers or have come to accept the inevitableness of making a living under the existing system, they need the theory of neoauthoritarianism. When they cannot, emotionally, accept peaceful coexistence with the repressive rulers, they attack neoauthoritarianism.

II. Intellectuals' "World Two"

As a form of discursive activity, neoauthoritarianism belongs to "World Three" in terms of K. Popper's theory. But the occurrence of this "World Three" activity is closely linked to the intellectuals' "World Two," that is, their mentality and their level of understanding, and is also closely linked to the situation of "World One," that is, the actual situation in China.

The debate over neoauthoritarianism was the first public, large-scale, serious discussion, on the mainland, on the issue of prospects of democracy for China since 1949. Before that debate, the issue of democracy in China had been discussed in two ways. In one way, the discussion had been public, but the issues discussed had been pseudo issues, that is, the issues of how superior socialist democracy had been to capitalist democracy and how to perfect socialist democracy. In the other way, the discussion had been on true issues, but carried out privately among a few pioneering individuals. They had been attracted toward democracy and had hated autocracy. Such discussion had been more focused on demonstrating a value orientation and criticizing a system, and thus hardly capable of pointing out the realistic way to achieve democracy.

It was no accident that the theory of neoauthoritarianism surfaced amidst the first public, focused discussion on democracy. For more than half a century, calls for democracy had never stopped, but the question of the "national situation," like a shadowing ghost, had always followed such calls. When Yuan Shikai declared himself emperor, some Chinese and foreign scholars argued that the republican system did not suit China. That Dr. Sun Yat-sen had democratic ideals is perhaps beyond doubt; nevertheless, he also proposed plans for a stage of military rule and a stage of political tutelage. It is much more proper to say that he did that because of a consideration and understanding of the actual situation

in China than to say that he did that because he did not fully embrace democratic ideas. With the accumulation of arguments over nearly a century, people had already come to know well the factors unfavorable to the achievement of democracy, and the actual situation of China at that time really called for special considerations: That regime which had long been suppressing democratic views and activities was pressing forward with the program of four modernizations. Undoubtedly, economic development would inevitably lead to political changes. Thus, whether to cooperate with that regime so as to promote the ultimate achievement of democracy in a gradual manner or to seize the opportunity to put the issue of democracy on the agenda as soon as possible—and which strategy was better—became a thought-provoking and controversial question.

The defect of the former strategy would be that the strategy would entail tolerance or acceptance of the status quo in which democracy was being suppressed. The possible problem with the latter strategy would be that early or excessive demand for democracy could result in a backlash in terms of the reactions of the rulers or the hard-liners in the ruling group, leading to the suspension of the reform process; as a result, both economic development and political reform would fail.

Aside from giving emphasis to some factors in the actual situation of the country, proponents of neoauthoritarianism believed that their views and their conceptual framework also represented a decisive break with traditional ideologies. That is, they had completely got over the infatuation with Marxism or even radicalism from which Chinese intellectuals had suffered since the 4 May Movement. When the "old democrats" who were opposed to neoauthoritarianism criticized the proponents of neoauthoritarianism for not holding firmly democratic and liberal beliefs, they would privately retort that the radical views of those people contained elements of the old ideology, and that they were opposing the currently ruling revolutionary party by assuming the role of revolutionaries themselves. They were convinced that a sympathetic reading of conservatism could provide a new way of thinking.

They believed that the essence of Marxism and the ideologies of other revolutionary parties had always been radicalism, that is, the idea of carrying out a large-scale, thorough overhaul of society in the name of progress without considerations of the soundness of the existing traditions. They believed that radicalism, if not just empty talk which could ruin the country, would lead to more haste which would, in turn, result in even less speed. The CPC, in its revolutionary efforts, had sought to leap over the stage of capitalist development, while Mao's socialist revolution had been an attempt to leap over the stage of the order of new democracy. All this had been the fundamental reason for the setbacks suffered by the cause of modernization of China. Under the guidance of the new way of thinking, the 100-Day Reform Movement, the 4 May Movement, the French Revolution, and the Russian October Revolution were

all described and evaluated from a new perspective. The icon was no longer Robespierre but Gandhi; Locke had replaced Rousseau, and the Glorious Revolution of England was deemed superior to the dictatorship of the Jacobins; the program of the Fabian Society was deemed better than the Bolshevik program; and the democratic socialism of the West and North European countries was considered to be representing a sharp contrast with Stalin's forced collectivization and Mao Zedong's Great Leap Forward and Cultural Revolution. The ideas of reason, compromise, and incrementalism were given endorsement again.

Opposition to radicalism led to opposition to totalism. It was argued that such totalism was based on the view that without total, thorough overhaul of society and the preexisting system, no partial reform would be useful. The debate over "issues and isms" once again became a subject to be given thought; it was considered to be necessary to reevaluate the differences and debate among Hu Shi, Li Dazhao, and Lu Xun.

The methodology based on the positivist philosophy came to be used widely, and the principles of democracy and freedom came to be ridiculed as they were regarded as metaphysical "first principles" that could not be empirically verified. Value rationality was replaced with instrumental rationality. Democratic ideals were described as in the category of romanticism. To give exclusive attention to economics in the hope of seeing the development and strengthening of the middle class in the future was praised and regarded as representing realism. The neutral modernization theory replaced the slogan of "science and democracy."

The farthest that the anti-radicalist thinking has gone, and the most shocking aspect of such thinking, has been that it challenged the validity of the rather noble belief that "the masses of the people are the actors who create history." The praise for mass movements was replaced by a fear of, and disgust at, the movement of the unruly elements or mob rule; and the perspective based on the argument about the history-making role of heroes and the idea of elite rule were gradually becoming more influential. Someone said frankly: If in the future China has either autocracy or anarchy, then he would choose the former.

III. The Strengths of the New Thinking

I am of the view that in the debate over neoauthoritarianism a few years ago, both sides were focused on their conclusions, while giving less attention to the contents and characteristics of the so-called conceptual transformation which resulted in the new way of thinking. Perhaps, this was so because the 4 June incident interrupted the process of discussion, so that there was not enough time for in-depth discussion to take place. However, such new thinking itself calls for careful analysis.

As should be admitted, the conceptual models that Chinese intellectuals use in thinking upon social, political, and historical issues have mostly been refurbished

constructs provided by the theoretical framework of Marxism, or come from the young Marx, Hegel or Feuerbach if it is assumed that all the possible sources would be used. Whether they are leftists or rightists, and whether they are radicals or conservatives, cases they would feel confident, while defending their arguments, only by referring to the historical trend and the spirit of the times. The sharpest attack that they can launch on their opponents is that the opponents have contradicted the spirit of the times. If not described in such Hegelian terminology as done above, then their love and hatred can be described as inspired by the typical traditional, age-old Chinese maxim: "The will of heaven is not to be violated, and the wishes of the people are not to be trampled upon." As has already been noticed, in fighting the Communist Party, some people use the language of the Communist Party all the time, and their only superiority lies in the fact that they are true Marxists (i.e., humanistic Marxists), that their Marxism is pure, and that those attacking and persecuting them because of their alleged opposition to Marxism are peddling bogus goods and are pseudo-Marxists. This may be true. They are fighting the Communist Party because they believe that the Communist Party has strayed from its original course or is doing things which are the exact opposite of what they declare to be doing. Those people are opposed to the ruling Communist Party, but are no different from the Communist Party in terms of character traits. They are similarly intolerant and brook no dissent, insisting that there is only one truth which happens to be in their hands. They believe that history develops in a linear way, and that those violating the laws of nature will certainly be punished by the effects of dialectics. In their mind, the terms such as "revolution, progress, and the masses of the people" are naturally sacred. Of course, to be fair, it should be pointed out that they are fundamentally different from their persecutors in one respect, that is, that although they will unite to fight dissenters, they consider the use of political power to suppress dissent despicable.

A chief strength of the anti-radicalist thinking is its rejection of the natural sacredness of "revolution." We detest autocracy and totalitarianism, but would never advocate the revolutionary overthrow of the autocrats at any cost and through the use of any means. We understand that in the process of life-and-death struggle of a revolution, means tend to replace ends, and that yesterday's revolutionaries have become today's dictators. If the value of means is not smaller than that of ends, then nonviolent struggle is not only proper in terms of strategy, but also an inevitable choice in terms of value consideration.

The opponents of radicalism, unlike the communists, do not advocate "using the enemy's methods to fight the enemy," and do not try to carry out a successful revolution by using whatever means available without showing any restraint. For instance, they do not do such things as joining hands with the enemy's enemy in an unprincipled manner, demonstrating more hostility towards the

reformist and enlightened factions in the enemy camp than to cruel rulers, or hoping that there is turmoil in the country where fighting is going on everywhere, where there occur natural and man-made disasters, and where people can hardly live, with those who have died of starvation lying everywhere, so that the enemy's defeat can come earlier. When we recall how the communists rejoiced in the domestic poverty and external difficulties facing the KMT regime, and when we see how they, based on wishfully thinking, eagerly look forward to the occurrences of economic crises, oil crises, and other crises in the West, do not we feel chilled to the bone and sad?

Opponents of radicalism have abandoned such pseudo propositions: "Great turmoil across the country will produce order across the country," and "things will get better only after the worst has come." They do not try to exacerbate conflicts to triumph over the enemy. In their view, order is no less valuable than change.

As should certainly be pointed out, the opponents of radicalism have not yet totally mastered the new ideas, so the new ideas and new trends they advocate in no way guarantee that their arguments concerning neoauthoritarianism are correct. For instance, when they ridicule the idea of democracy and regard it as a romantic ideal, while boasting that they are of the positivist faction which give emphasis to operationalization, they are absolutely incapable of producing an operational plan to put neoauthoritarianism into practice. In fact, not being able to produce operational plans is the fatal weakness of the theory of neoauthoritarianism. When they ridicule the idea of democracy and freedom, regarding them as unverifiable first principles, they ignored the fact that throughout history large numbers of high-minded people and tens of millions of ordinary people, in China and other countries, have fought for the triumph of those ideas. They have no way of proving that the idea of "modernization" which they believe to be value-neutral is not a first principle. Furthermore, that representative of the so-called Southern neoauthoritarianist faction can accept such first principles as the "four cardinal principles" without any difficulty, but refuse to accept the principles of democracy and freedom which have been affirmed in the UN Charter and accepted by most countries in the world. They claim to be conservatives, but fail to understand that being conservatives lies, first of all, in accepting some intrinsic human values, and would in no way entail replacing value rationality with instrumental rationality. In other words, they only have a superficial understanding of conservatism, but have failed to grasp the essence of conservatism.

IV. Choosing To Engage in Very Different Activities

I am of the view that from an academic perspective it is necessary not to lightly reach conclusions about the validity of neoauthoritarianism. But if we are frank and do not deceive ourselves, then the question of mentality related to this issue can be resolved.

According to many people, relations between intellectuals and the rulers should be determined by whether the rulers are becoming more "progressive" or "reactionary." If the CPC authorities are still capable of playing the role of leader of the modernization effort, then it is proper to cooperate with them. If they have obviously become the obstacles to—or forces obstructing—modernization, then it is necessary to fight them, that is, the attitudes towards the CPC should be determined by its own political future.

What will be its political future? Perhaps, it is the most difficult to make predictions at this moment. Some think that the Soviet Union and East Europe model will be followed. The CPC's rule will end in some way, whether in the bloody Romanian way or in the bloodless way of the East European and other countries; as a result, the CPC will become a political party of secondary importance under a pluralist political system. Some others think that the Taiwan model will be followed. That is, under the attack of continuous tides of democracy which are characterized by the people's efforts to end the one-party dictatorship, and with the development and strengthening of the modernized factors in economic and social spheres, the CPC's rule will change from being characterized by one-party dictatorship into being characterized by one-party domination, even though the CPC will remain in power. Bans on newspaper publishing and on organizing political parties will be lifted, and society, through a difficult process, will be democratized amid economic growth and social confusions. It is argued that if the first situation occurs, then there will be no possibility of cooperating with the rulers (who would be willing to link his future to a dying regime?). If the second situation occurs, then there will be room for cooperation. The difficult question is: which model will be followed?

In my view, it is perhaps too difficult to predict which model will be followed in the future. Even if you can make a prediction and are confident of its correctness, it is difficult to convince other people. For the business of forecasting involves too many unforeseeable and unanticipated factors. I also believe that intellectuals should adopt stands and attitudes in accordance with their value conceptions, and that they should be different from those who actually engage in politics and thus should not be too concerned about allying themselves with the winner.

Of critical importance is that the selection of one's stands and the adjustment of one's attitudes should also be carried out in accordance with the new way of thinking. Therefore, I argue that it is proper for different

people to choose to engage in very different activities. According to this new thinking, everyone is entitled to believe that his own actions are appropriate, as long as those actions do not involve either of the two kinds of extremist behavior, that is, helping a tyrant do evil in order to curry favor with the ruler or trying to use violence to overthrow the existing system. Of course, two conditions have to be met. First, it is necessary to accept the values of democracy and freedom; second, it is necessary not to deceive oneself. A person can engage in the activity of his choice under an autocratic system. We do not ask him to become a revolutionary or a martyr opposed to the system, but he should not try to embellish or rationalize the autocratic system in order that he can have his peace of mind.

Unlike those armed with revolutionary ideologies, I do not believe that intellectuals have either to support the society where they live or try to overthrow the society. For politics does not permeate every corner of society.

What I want to emphasize is that it is naturally appropriate for an intellectual—who considers himself to be morally responsible for promoting social justice—to adopt a critical attitude towards the status quo, because of the division of labor in society and the proper role of intellectuals. It can be imagined that such people as those who provide health care for women and child-care workers, computer specialists, and archaeologists can proceed with their professional activities without giving any consideration to the nature of the existing system. In the same vein, it is not only proper but also necessary for intellectuals who represent the conscience of society to adopt a critical attitude under any system. On the other hand, even if the CPC is able to continue to play the leadership role in the modernization effort, thereby keeping itself in power, such a development would not mean that there is no need for calls for democracy in China. Even if China should acquire a market economy and a respectable middle class, democracy and freedom will not come into being automatically, and it would still be necessary to make efforts to achieve democracy and freedom. Not only the history of Europe but also the process of development of those countries considered to have followed the neoauthoritarian model has testified to this point. We must understand that modernization is not the only criterion for determining whether a society is good. It does not matter whether the CPC can keep itself in power in China, or whether the CPC can continue to exist at all, China is sure to experience many economic, ecological, social-psychological, cultural, and moral problems over the next few decades. History will prove that it is wrong for intellectuals to adopt a passive, obedient attitude.

NORTHWEST REGION

Xinjiang Public Outcry Against Crime on Trains

93CM0359A Urumqi XINJIANG RIBAO
in Chinese 6 May 93 p 1

[Article by staff reporter Dong Shui: "So Many Strange Things on Trains"]

[Text] *The editor's note: The sever insufficiency of railway transport capacities has become a hardware problem, creating a "bottleneck" constraining the development of the national economy, and has aroused attention from people at all levels nationwide. Meanwhile, ordinary people are making increasingly strong complaints about the software problems such as those of public security and crew conduct besetting the railway industry's passenger service. In the past, this newspaper has received many letters to the editor. We have forwarded the letters to the institutions in charge of the relevant matters so that they can take appropriate actions on the matters involved, but have received few replies. However, strange things continue to happen on trains, and the situation seems to be getting ever worse. Now we publish a summary of some of the recent letters, hoping that everyone will read and discuss it. Readers are welcome to participate in the discussion and joint the efforts to find out the root cause of the "stubborn diseases" affecting the railway industry's passenger service and to discover a good way to cure them. We believe that such efforts will produce some positive effects.*

In the recent years, there have been an increasing number of letters which have complained about inappropriate crew conduct and a bad public security situation on trains. A few of such letters have been published on this newspaper, and most have been forwarded to those in the railway system so that they can take appropriate actions on the relevant matters. But, whether published or forwarded, those letters have engendered few responses from those in charge of the relevant matters as they should. Since the beginning of the year, the number of letters to the editor on this subject has increased markedly. In the 10-plus days of March 8-25, the editorial department received seven letters to the editor written by 11 readers. The issue has never been raised in such a focused fashion as is the case now. The following is a summary of the main points of the letters:

Disposing of leftover rice in the name of inspecting tickets, resulting in passengers complaining strongly.

Chen Weidong of the Information Association of Suining City, Sichuan Province, says in his letter: On the evening of March 14, we, a group of six, boarded train 112 for Xinjiang at Mianyang. A little after noon of March 16, a tall, stout kitchen attendant, hitting things with a black club which had not been manufactured by any business, came to car 15 to sell meals. But, once in the car, he declared that he would inspect tickets. After we handed over our tickets to him, he began to insist that we had got into the car through the windows, and would

rest the matter only after making us each buy more than one cup of rice. The rice in the cups had been left over from breakfast; furthermore, we had already eaten our meals anyway. We explained to him repeatedly, and someone else also testified that we had got into the car through the door. But he would not listen, and would not return the tickets if we did not buy the cups of rice. Under his threat, we were forced to use 21 yuan to buy seven cups of leftover rice, and then left the rice on the table. A middle-aged train attendant also testified to the truthfulness of our story, and told us to go to see the head of the crew in car 7 and to ask him to intervene. We did not do that, and the matter was thus left unresolved. (*Editor's note: This kitchen attendant's conduct was immoral, and disciplinary actions should be taken against him. On the other hand, the victimized passengers should have immediately gone to the head of the train crew to demand justice so as to safeguard their legitimate interests. Of course, if that middle-aged attendant had had a strong sense of professional duty, he should have taken the initiative to report the incident to the head of the train crew, or asked, immediately, the head of the crew to deal with the matter.*)

Suspending water supply in order to sell drinks, thereby going to the extreme.

Chen Jiheng of the Burqin County hydrology station says in his letter: On December 31 last year, I boarded train Express 97 at Zhenzhou to go back to Xinjiang, and I was seated in car 12. The passengers who were on long journeys had suffered enough from the lack of water supply. When they heard that there was water in car 14, everyone rushed there. Then, a man in railway uniform pushed aside the passengers standing in line, while shouting: "Let me through!" He then shut the door of the boiler room, locked the door, and went away. People were suffering from thirst, and were having a very difficult time. Suddenly, they heard someone hawking fresh milk, and the passengers were delighted. Many of them each bought a cup, which cost 0.5 yuan. After tasting the drink, they realized that the drink was made from milk powder, thereby suddenly becoming aware of the truth of the matter. A woman who had just gotten on the train asked the train attendant: "Not even water is supplied on the train, isn't it? I am suffering from thirst." That male attendant said: "Do You drink urine?" That woman would not show any weakness: "Only your mother would drink urine!" (*The editor's note: It was wrong, in the first place, to lock up the boiler room and sell drinks made from milk powder by claiming to be selling fresh milk, and it was doubly wrong to refuse to provide passengers with water and to even verbally abuse them when they asked for water. It was also wrong for the passenger to use foul language in return. Both train attendants and passengers should be civilized and polite, and respect each other. That unqualified train attendant should undergo make-up training on professional ethics, and be allowed to return to duty only when he becomes qualified.*)

Liu Yajun of the 7th Company of the 222d Regiment/Farm under the direct command of the Construction Corps headquarters at Fukang City says: Express 97 has broken away from the good tradition of supplying boiled water, and are, instead, selling various beer, mineral water, and drinks which are all expansive negotiated-price goods. The even more bizarre thing is that the toilet in car 15 has also become a tool used for pressuring passengers to buy drinks in an effort to sell the drinks through hard-selling activities. You want to use the toilet? Sorry. First, please buy a drink or a three-yuan magazine which is too dirty to read. An old man of over 50 years in age from Shawan County had bought a fast train ticket originally. But, as it was too crowded for him to board the train, he steeled his heart and decided to spend an additional sum of several dozen yuan in order to get on train Express 97. When buying the ticket after getting on the train, the crew member not only refused to give him any certificate, but also demanded that he buy four sets of drinks (40 bottles); otherwise, a fine doubling the normal amount would be imposed. He was helpless, and had to stuff all his large and small bags with the drinks. As a result, his luggage became overweight. He was travelling with two small children. The old man suffered a great deal. *(The editor's note: On February 26 this year, this newspaper, in an article entitled "The Disappointing, Terrible Express 97," criticized the inappropriate conduct of the crew of that train. Here, several letters, again, have criticized Express 97. Should the many problems of such a serious nature not be given focused attention by the institutions in charge of the relevant matters?)*

Making large profits by reselling train tickets—leading to bad conduct on trains.

Train crew members have long been reselling train tickets, seats, and sleeping car tickets. Signing tickets to authorize transfers and letting people board trains without tickets have also become tools used for extortion. Liu Yajun and Zhang Juxuan of the Hejin Cement Plant have both discussed this issue in their letters. Zhou Xiutong of the air force installation at Shanshan says: On February 18 this year, I boarded a Shanghai-originated train for Urumqi at Wuxi. A train attendant, speaking in the Shanghai dialect, asked a comrade named Xu sitting next to me if that comrade would like to buy a sleeping car ticket on the condition of paying him a 80 yuan "service fee." Xu did not buy the ticket, but another passenger who appeared to be a cadre bought the ticket.

Scoundrels openly carried out robberies; the passengers were helpless, while the train crew turned a blind eye to what was going on.

The several instances—reported in some letters—in which scoundrels openly carried out robberies and extortions at their will have all happened around Hami, Shanshan or Turpan in Xinjiang. Liu Yajun in his letter says: Late into the night of 25 February, when Express 97 was travelling between Hami and Turpan, suddenly seven or eight young men appeared in the cars. With weapons stuck in their pockets, they forced the passengers to buy their drinks at the price of 20 yuan a bottle. If anyone would say no, they would start to grope in their pockets. The train crew turned a blind eye to all this.

Tian Zhengci of the Suqian Office of the Ninth Department at Korla says: When we, travelling on train Special 154, were passing Hami at 1700 on 3 March, seven or eight stylishly dressed youths, some of them holding weapons, came from the rear cars, and openly robbed the passengers. A group of over 100 construction workers were sitting in car 14 where we were, and many people had all their money taken away.

Wang Zaigeng of the Xishan Farm in Urumqi says: On a mid-February day, when Express 97 on which I was travelling came to the Shanshan Station, several young men got into the cars through the windows, and some of them were in railway uniform. They extorted money from the passengers in the name of selling drinks. They would charge 20 yuan for a drink worth a few dozen cents. If anyone would say that the price was too high and refuse to buy, he would be severely beaten. After being beaten, he would still have to buy the drink. Almost all of us passengers in car 15 were "robbed." At that time, the train crew and police were nowhere to be found. *(The editor's note: Everyone has responsibility for maintaining public security. When there occur criminal, law-breaking activities on trains, the train crew and police would be negligent of their duties, thereby committing a crime and harming the people, if they are absent from their posts without authorization or turn a blind eye to what is going on. It was nevertheless tragic that none of the 100-plus strong construction workers stood up and fought the few scoundrels as they committed crimes, and that all of them submissively let themselves be robbed. This is also a lesson and should awaken people—only when everyone is inclined to take actions to strengthen and safeguard the legal system, and when every citizen is made to be willing to rise to the occasion and fight bad people and bad behaviors, would public security be maintained.)*

Local Guangzhou Investment Subsidiary Thriving
*93CE0539A Taipei TSAI HSUN [WEALTH
MAGAZINE] in Chinese No 132, Mar 93 pp 304-308*

[Article by Yang Zijing (2799 4793 5427): "HK\$240 Billion Subscription to Chun-wei Investment Stock—Chun-wei Investment Stirs Up a Whirlwind"]

[Text] In early February, the Chun-wei Investment Corporation offered its new stock for sale to the public in Hong Kong—vaunted as the first "pure state enterprise" stock on the Hong Kong stock market. Riding the "Chinese concept" whirlwind of the recent years, Chun-wei's stock subscription forms were snatched up by investors as soon as they were made available, and in the short five-day subscription period, subscriptions exceeded the target 657 times over, and advance payments for shares totaled more than HK\$240 billion, both new records for sales of new stocks in Hong Kong.

Guangzhou auto group gets access to Hong Kong stock market in Chun-wei's name.

The whirlwind stirred up by Chun-wei occurred just before nine state enterprises in Mainland China were to put their stocks on the Hong Kong market, which naturally made it all the more conspicuous. And under the watchful eyes of many "Chinese investment stocks" and "Chinese concept stocks" already on the Hong Kong stock market, how well Chun-wei can perform is of even greater significance as an "example."

Established and registered in Hong Kong in June last year, Chun-wei is a wholly owned subsidiary of the Yue Xiu Enterprises, the trade and investment organization of the Guangzhou Municipal Government in Hong Kong. In the early days of its establishment, it "had nothing to do." In fact, its main purpose is to get the Guangzhou Auto Group moved to Hong Kong, issue stocks, and raise funds, following a series of "major stock transfers."

The Guangzhou Auto Group is an economic entity under the control of the Guangzhou Municipal Machinery and Electronics Bureau, engaged mainly in automobile and parts manufacturing, buying, selling, and servicing. The group consists of 11 companies, with the Peugeot Guangzhou, a joint venture with the French Peugeot Motor Company established in 1985, as the main business and operational body of the entire group. The Guangzhou Auto Group owns 46 percent of the Peugeot Guangzhou's stock, and at the same time the Peugeot Guangzhou is also one of the six sedan production bases approved by the State Council.

Being a regular mainland state enterprise, the Guangzhou Auto Group cannot just openly put its stock on the Hong Kong stock market, either before or after the nine State Council-approved state enterprises have done so, because it would look like the central government is being slighted by a local government. But who can give up the opportunity to exchange printed stock certificates

for real money? As a way out, the Guangzhou Municipal Government carried out a series of stock transfers.

In October last year, the Guangzhou Municipal Machinery and Electronics Bureau set up a Jun Da Automobile Corporation as the owner of all the assets of the Guangzhou Auto Group. On 29 October, Guangzhou's Jun Da and Hong Kong's Chun-wei agreed to form a Wei Da Machinery Corporation in Guangzhou. The two sides also agreed to the following: With investment from Jun Da in the form of assets, namely, the Guangzhou Auto Group, and from Chun-wei in the form of cash, Wei Da is to become an independent holding company and owner of all the assets of the Guangzhou Auto Group.

At first, Guangzhou's Jun Da and Hong Kong's Chun-wei owned 75 percent and 25 percent respectively of the shares of Wei Da, which made Wei Da a "Chinese-foreign joint venture," because Chun-wei was a "foreign" enterprise registered in Hong Kong.

Later on, Hong Kong's Chun-wei bought another 70 percent of Wei Da's shares from Guangzhou's Jun Da. So now Hong Kong-registered Chun-wei owns 95 percent of the shares of Wei Da in Guangzhou, and Wei Da owns all the assets of the Guangzhou Auto Group. Thus Chun-wei can put its stock on the Hong Kong market as a Hong Kong corporation, while owing controlling stocks of mainland enterprises.

On the other hand, before Chun-wei formally offered its stock to the public, 72.35 percent and 23.64 percent of its original capital stock of 990 million shares were bought respectively by the Zhong Long Corporation, a wholly owned subsidiary of Guangzhou's Jun Da Corporation, and the Xiong Hua Corporation, another wholly owned subsidiary of the Yue Xiu Enterprises. Of the remaining shares, 4 percent was bought jointly by subsidiaries of Zhong Long and Xiong Hua, and this portion was resold after the conclusion of the sale of Chun-wei's new stock to one of the underwriters, the Bai Fu Le Group.

Thus, through all the "subsidiaries" and "stock transfers," after Chun-wei issued 330 million new shares, Jun Da under the Guangzhou Municipal Machinery and Electronics Bureau actually owns through Zhong Long 54.26 percent of Chun-wei's total of 1.32 billion shares; Yue Xiu Enterprises, the Chinese investment organization in Hong Kong, owns in Xiong Hua's name 17.74 percent; the Bai Fu Le Group owns 3 percent; and 25 percent is actually sold to the public.

In this way, Chun-wei has become the "purest" Chinese investment stock on the Hong Kong stock market, because its largest shareholder is an enterprise registered in Mainland China and its immediate superior is the Guangzhou Municipal Machinery and Electronics Bureau. Therefore, as far as "purity" is concerned, the other two Chinese investment stocks, of the Hai Hong Group and the China Travel Service International, which came on the market earlier, are not as attractive as

Chun-wei's, because the major shareholders of Hai Hong and China Travel Service International are the China Merchant Steam Navigation Company and the China Travel Group Hong Kong respectively, both Hong Kong-registered companies.

Chun-wei is the purest Chinese investment stock.

However, when Hai Hong and China Travel stocks were put on the market last year, both did very well with subscriptions 300 and 400 times the respective targets and advance payments for China Travel shares totaling about HK\$150 billion, a record at the time. And after trading opened in the morning, the prices of these stocks often rose sharply, which made the Chun-wei stock all the more attractive, drawing swarms of subscribers. It was even disclosed at the market that dealings in futures had pushed up the "blackmarket price" of Chun-wei stock to more than HK\$3.00 a share, or 2.5 times the consignee's price of HK\$1.22.

However, aside the feverish buying caused by the "Chinese concept," is Chun-wei really such a good investment? There is no doubt that Peugeot Guangzhou, owned by the Guangzhou Auto Group, is one of the six state-designated sedan-manufacturing bases, and under the favorable monopolist conditions, it certainly enjoys exceptional advantages for future development.

A look at the company's profits in the past three years shows a net profit of about HK\$0.07 per share (each share has a face value of HK\$0.1) in 1990, about HK\$0.18 in 1991, and an estimated HK\$0.13 in 1992, which are not bad. However, after the issuing of the new stock, the net profit per share will fall to about HK\$0.1 for 1992, and the diluting effect is quite obvious.

It is estimated that through the new stock issue, Chun-wei can raise a total of HK\$400 million, of which HK\$200 million will be used to develop the group's related parts and components business in coordination with increasing production of Peugeot Guangzhou, and the remainder will be used as the company's operational fund. Because the Guangzhou Auto Group is producing and marketing automobiles under a "special license," it still has a fairly great potential for future development.

China produced an estimated 152,000 cars in 1992, of which 20,000 were made by Peugeot Guangzhou. And according to China's official estimate, by the year 2000, Mainland China's annual sedan production will increase to 680,000, about 4.4 times the number produced now. According to this development trend, Peugeot Guangzhou should have a bright future.

However, the Guangzhou Auto Group's monopolistic advantage is bound to be challenged by imported foreign cars after China joins the General Agreement on Tariffs and Trade. Although for a short period China will continue to support the development of the auto industry in the name of protecting the young industry, in the long run it is impossible to stick to a closed-door

policy always. Therefore, how Chun-wei will fare after one or two more good years remains to be seen.

With China joining the GATT, Guangzhou Auto will face challenges.

At present, however, the more serious threat to Chun-wei is the devaluation of the renminbi. Because Chun-wei is a Hong Kong-registered corporation, its books and accounts must be expressed in Hong Kong dollars. But Guangzhou Auto's business income is all in renminbi. Therefore, if the renminbi keeps devaluating, it will naturally have a shrinking effect on Chun-wei's book value. This will certainly have an impact on the price of Chun-wei's stock.

And, Peugeot Guangzhou imports about 5 percent of its parts and accessories, and consideration should certainly be given to the exchange risks caused by the devaluation of the renminbi. At present, however, Peugeot Guangzhou is compensated by the state for the actual amount of its exchange losses. So for the time being Chun-wei does not need to worry about the exchange risks from imports. But after China joins the GATT, this kind of protective measure, which is "uncommon" in Western countries, will probably have to be readjusted.

Moreover, at the time when Peugeot Guangzhou was established, Guangzhou Auto agreed to cede 10 percent of the Peugeot Guangzhou stock in the future. As Peugeot Guangzhou is Guangzhou Auto's main source of profit, that will unavoidably affect the future performance of Chun-wei stock. But these are all risks in the rather distant future, and therefore some brokers think that at least in the next 1 to 1.5 years Chun-wei stock should be doing quite well.

As far as Chun-wei is concerned, it really paid off this time issuing stock at a premium in Hong Kong. The corporation made a huge profit even before receiving the stock premiums. Because subscriptions exceeded the target 657 times over, advance payments for shares amounted to a whopping HK\$240 billion. Just by depositing the money in the banks at a 3.5 percent interest rate for seven days (until shares were distributed and excess funds returned), Chun-wei made HK\$160 million in interest income, which equaled 40 percent of its fund-raising goal and exceeded the estimated 1992 net profit of HK\$130 million, without lifting a finger. It was very impressive.

The two major banks, the Standard Chartered Bank and the Bank of China, which provided the loans for investors to make advance payments on shares, also made a handsome profit, of course. According to Hong Kong media estimates, at an average loan interest rate of 8 percent minus the banks' own borrowing costs, the Standard Chartered Bank and the Bank of China could have made about HK\$80 million to HK\$90 million each, and thus became the other big winners from the Chun-wei stock subscription whirlwind.

Can Chun-wei stock maintain its attraction as a "pure state enterprise stock" after being listed on the market, and particularly can its price continue to do well in a "political market" raging with turbulent undercurrents of the Chinese-British political struggle and serve as an "example" for the nine Chinese state enterprises which

will put their stocks on the Hong Kong stock market soon? That is being watched even more closely.

From the performance of the four "Chinese investment stocks" and five "Chinese concept stocks" which were put on the market last year (see table), some interesting contrasts can be seen.

Performance of "Chinese Investment Stocks" and "Chinese Concept Stocks" on the Stock Market Since 1992

Stock Name	Month/Day Put on Market	Opening Quotation	1st Day's Highest Price and % Difference		2/12 Closing Price & % Difference		Highest & Lowest Prices Between 1st Day and 2/12		Remarks
							Highest Price	Lowest Price	
Chinese Investment Stocks									
Yue Xiu Investment	12/15	1.05	1.77	68.6%	1.41	34.3%	1.77	1.28	Yue Xiu Enterprises holds 67.5% of shares
China Travel International	11/11	1.00	2.975	197.5%	2.40	140.0%	2.975	1.95	Hong Kong China Travel Group holds 75% of shares.
Chinese Overseas	8/20	1.03	1.70	65.0%	1.25	21.4%	1.74	1.07	China Architectural Engineering Company owns 75% of shares
Hai Hong Group	7/15	1.50	4.50	200.0%	2.40	60%	4.50	1.96	CMSNC holds 75% of shares
Chinese Concept Stocks									
Wei Da Li International	11/23	1.25	1.66	32.8%	1.59	27.2%	1.85	1.34	Has plant in Mainland China producing computers and amusement articles and enjoys 30% domestic marketing right
Jin Li Lai Group	9/18	2.70	3.125	15.7%	7.65	183.3%	8.30	2.90	One of Mainland China's 10 major man's ornaments makers; expected to double the size of its marketing network in China in the next three years
Champion Science & Technology	8/19	1.20	1.63	35.8%	3.75	212.5%	3.95	1.25	Plans to set up 100 radio call networks in Mainland China in five years
Yu Yuan Industrial	7/2	1.18	1.62	37.3	1.56	32.2%	1.84	1.28	Has sports shoe factory in Mainland China
Gang Hua Group	1/28	1.38	1.52	10.1	1.57	13.8%	2.225	1.40	Holds 34.9% of shares of Kang Jia Electronics, Shenzhen (listed on stock market)

Note: All prices are in Hong Kong dollars; all % differences are in comparison with the first day opening quotations.

Performance of Chinese investment stocks are often like a flash in the pan.

Generally speaking, "Chinese investment stocks," taking advantage of their relatively "pure" Chinese concept, often rise sharply the very first day they are on the market. Especially the performance of Hai Hong and China Travel, with subscriptions 300 and 400 times over the targets respectively, was most spectacular. Hai Hong opened at HK\$1.50 per share and rose to HK\$4.50 the first day it was on the market, and China Travel opened at HK\$1.00 per share and rose to HK\$2.975 during the first day, both gaining by about 200 percent, which was quite impressive.

Comparatively the performance of the five "Chinese concept stocks" the first day on the market was not so well. On the average, the prices went as high as about 20 percent above the opening quotations and closed only slightly higher than the opening prices. For example, Champion Science and Technology, the maker of call networks, opened at HK\$1.20 per share and closed at less than 10 percent above the opening price on the first day, which was hardly impressive.

However, as distance tests a horse's strength, time may prove that the "Chinese concept stocks" have the potential to reach new heights, and that the "Chinese investment stocks" often rise sharply on the first day, but, like a flash in the pan, the high price will then be gone and

never return. For example, the price of Champion Science and Technology has kept going up since it was put on the market and has reached a high of HK\$3.95 per share, a 229 percent increase, making it the best performer of last year's new stocks in Hong Kong, a real "champion."

Another example is Jin Li Lai, a producer of man's wear and ornaments, which opened at HK\$2.7 per share and rose to HK\$8.3 at the highest point, also an increase of more than 200 percent. The "staying power" of these stocks is no less impressive than the "flash in the pan" first-day performance of China Travel and Hai Hong. And, Hai Hong's present price is only about 60 percent over the opening quotation, and its early imposing momentum is long gone.

Of course, the conditions for prices to rise are different from one stock to another, and so are the time each stock is put on

the market and the way each stock is affected by the political influence on the market. However, roughly speaking, it seems that the "Chinese investment stocks" were lauded too lavishly in the beginning, leading to the less impressive performance later, as compared to the "Chinese concept stocks" which rose slowly but constantly.

Thus, Chun-wei, which is purer in "Chinese concept" than the "Chinese investment stocks," was indeed lauded too lavishly during the subscription period before it was put on the stock market, even more so than China Travel and Hai Hong. Whether it will follow in the footsteps of the "Chinese investment stocks" in future performance remains to be seen. If Chun-wei's performance proves to be also a "flash in the pan," it will undoubtedly become the worst wrong example for the nine mainland state enterprises which will be put on the Hong Kong stock market soon.

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