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Introducing Competition Into Cadre Selection System

93CM0184A Beijing ZHONGGUO RENCAI [CHINA'S PERSONNEL] in Chinese No 12, Dec 92 pp 5-6

[Article by the Organization Department of the CPC Shanxi Provincial Committee and the Personnel Studies Association of Shanxi Province: "Introduce Competition Mechanisms and Select Cadre in an Open Manner"]

[Text] In early 1991, after the Sixth CPC Shanxi Provincial Congress, the CPC Provincial Committee held that the key to ensuring stability was to have the right people, in the face of the new situation which brought with it questions of how to intensify the reform and opening-up efforts and speed up the economic development. In order to manage well Shanxi's economy, it was necessary to achieve a big breakthrough in regard to the cadre selection system, and change the current reaction-based situation where "the east wall is torn down in order to repair the west wall, with cadres being selected in a haphazard way." After careful analysis of the cadre situation of the entire province, the CPC Provincial Committee felt that there were the following prominent problems regarding the development of leadership teams and cadres. First, the members of the leadership teams tended to be too old. The average age for the members of leadership teams of the prefecture, municipal, departmental, and bureau levels was 53.1. Of those people, 37.5 percent were over the age of 56. Each year, of leading cadres of the prefecture and departmental levels, nearly twenty in the positions of heads and around seventy in the positions of deputy heads would reach the retirement age and retire from leadership positions. Second, as an urgent matter, it was necessary to have many young cadres conversant with economic affairs—especially those conversant with finance and foreign trade matters—join the leadership teams. In order to change the situation quickly and to introduce competition mechanisms into the work on cadres so as to create a good environment for the emergence of talents, the CPC Provincial Committee decided to select leading cadres of deputy head positions of the departmental level for those units in urgent need of trained personnel in an open manner in the province. During the past year, three groups, nineteen deputy heads and deputy directors have been selected for such units as the Finance Department, Auditing Bureau, Agriculture and Animal Husbandry Department, Forestry Department, Water Resources Department, Agricultural Districting Commission, Planning Commission, Science and Technology Commission, Statistics Bureau, and Economic Research Center. Practice shows that the trial exercises were successful, and viewed positively by all.

I. Basic Procedures and Methods

The open selection was carried out in five steps:

1. Application and credentials evaluation. The basic qualifications required for applicants were:

(1) Firmness in implementing the party's basic policy line, in terms of centering work around economic construction, adhering to the four cardinal principles, and adhering to the policy of reform and opening to the outside world.

(2) Emancipated thinking, willingness to explore, and outstanding performance in the practical work of reform and opening up.

(3) Expertise and practical experience necessary for assuming the positions desired, and abilities of decision making, organization and leadership, and human relations.

(4) Conduct free of corruption, close relations to the masses, uprightness, and observance of laws and disciplines.

(5) Experience of over three years in positions of heads of the county (sub-department division) level or experience of over five years in deputy head positions of the county (sub-department division) level at institutions of the party, the government, and the mass organizations, at enterprises or public institutions, or at colleges and universities; experience of the above mentioned number of years in positions of mid-level cadres at category-one large enterprises, in positions of mid-level heads at category-two large enterprises, or in positions of directors of medium-sized enterprises.

(6) An age of less than forty-five years (or forty-five years), healthy physical status, and at least a technical-college degree or the equivalent.

The qualifications required for applicants were openly announced to society. Application was conducted in the forms of recommendation by institutions, recommendations made through democratic ways, and self-recommendations. Thus party organizations of various levels and the cadres and masses at large were relied upon in the work of recommending capable people. Credentials evaluation was done in two steps. First, the organization departments of the prefecture and municipal levels and the party groups (or committees) of the units of the provincial headquarters would carry out credentials evaluation. Then the guiding committee would conduct credentials evaluation on the basis of application requirements in a uniform manner, and decide on the applicants who would take the examination. Province-wide, altogether 438 cadres—in three groups—applied, and 377 passed the credentials evaluation, representing a share of 86.1 percent.

2. Written examination. This was mainly to test the cadres' mastery of basic knowledge. The guiding committee asked experts, professors, and practitioners of the relevant spheres to compose a group responsible for writing the questions for the written examination. The finalists method used in the college-entrance examination was adopted. Questions were designed for the two parts of examination, general knowledge and specialized knowledge, involving over twenty disciplines such as the

basic theory of Marxism, current and political affairs, and specialized knowledge of various fields. After the written examination, the guiding committee selected the applicants who would conduct defense, on the basis of selecting no more than ten applicants for each position to be filled. In three groups, 312 cadres took the examination. 112 cadres passed the examination and became eligible for conducting defense, representing a share of 35.9 percent.

3. Defense. This was mainly to test the cadres' abilities of comprehensive analysis, macro-level decision making, oral expression, on-the-spot reaction, and resolving practical problems. Before the defense, a comrade who would conduct defense were asked to conduct field investigation at a certain county or enterprise, and then put forth his views and write a paper on the economic development of the place or enterprise concerned. A defense committee composed of leading cadres, experts, professors and representatives of the masses (including the representatives of the masses of the unit to have a position filled and the representatives of the masses of the place of investigation) was organized. The defense was carried out in the forms of on-the-spot response to questions, case analysis, and paper presentation. The examiners gave grades on the spot, and the examination staff then calculated the grades on microcomputers and announced the grades on the spot. The applicants who would undergo record examination were selected on the basis of selecting no more than five applicants for each position to be filled. Among the applicants of three groups, Seventy-two who passed in their defense were selected to undergo record examination, representing 64.3 percent of those who had conducted defense.

4. Record examination conducted by the organizations concerned. Under the leadership of the Organization Department of the CPC Provincial Committee, a record examination group composed of people from the hiring units and from the departments concerned was organized. Some old comrades who had retired from prefecture-, and departmental-level positions and done many years of personnel and organization work were asked to play a leading role in the comprehensive and in-depth record examination on the moral integrity, ability, diligence, and performance of those undergoing the record examination. Comprehensive analysis and several rounds of comparative evaluation were conducted on the basis of the results of the record examination, and the Organization Department of the CPC Provincial Committee put forth recommendations on appointment which, after being discussed and approved by the guiding committee, were then submitted to the CPC Provincial Committee where decision would be made.

5. Appointment and training before taking office. After being discussed and approved by the CPC Provincial Committee, the nominations and recommendations were submitted to the Provincial Government which then made official appointments according to the standard procedures. Based on considerations of the need for

training before taking office and of the practical situations of the individuals involved, the appointees were gathered at the party school of the CPC Provincial Committee for three to five months of training and sent to the countryside to participate in the socialist education campaign for three to five months. After the training the appointees formally assumed office.

II. Main Achievements

1. Enhancement of Cadres' Sense of Participation and Competition. The open selection of leading cadres for the deputy-head positions of the departmental and bureau levels is a new thing that appeared in the process of the reform of the cadre and personnel system. After being reported on newspapers, radio and television, the news about the open selection immediately became a hot topic of discussion among people across the province in their political life. There were recommendations made by institutions, by the masses, and by the applicants themselves. For a time, across the province there occurred feverish activities of recommending the capable people so as to promote economic development. Over 400 cadres from all fronts and fields in the province eagerly applied. Practice and historical experience have proven that introduction of competition mechanisms into the cadre work has played a positive stimulating role in breaking down the closed and conservative inland mentality of Shanxi and enhancing the spirit of exploration and creation.

2. Expansion of the channels through which party committee at all levels find personnel. In the past, we had a narrow view and were limited in many ways in regard to cadre selection. This selection—open to the entire society—resulted in comparing cadres from across the province on vertical and horizontal bases, and in the discovery and appointment of a group of unknown but excellent cadres. Of the twenty-three cadres for deputy head positions of the departmental and bureau levels, most were backbones of operation at basic-level units on the front-line and at economic organizations. Only six were on the reserve-cadre list. Three-fourths were not under the consideration of the organization departments. The fourteen comrades who have assumed office after preliminary record examination have all been found to be adequate to their job. They have good basic qualities and abilities of taking charge of a area, said the heads of those units and organizations. According to cadres at large, they have been promoted because of their actual abilities, and thus no one would complain or be unhappy.

3. Enriching the ranks of the reserve cadres. As a result of the open selection, not only that twenty-three deputy heads of departments and bureaus were selected, but also that, more importantly, a group of outstanding talents in the fields of finance, trade, agriculture, comprehensive economic affairs have been discovered and made available through society-wide efforts to recommend capable

people. Of the seventy-two cadres of three groups who underwent record examination, those not among the twenty-three cadres already given appointment have been, in most cases, put on the list of reserve cadres.

4. Improvement of the methods and means used in the process of cadre selection and appointment. Open selection combines traditional methods with modern scientific methods, combines quality with quantity, and combines selection with administration and training. It results in more comprehensive, accurate, concrete evaluation of cadres' political and professional qualities and practical abilities. One cadre may be selected among five, ten or even more applicants. With selection done at several levels and with comparative evaluation done in several rounds, the objective of selecting the excellent among the good is achieved.

5. Rather effective suppression of corruption in the cadre work. Since the start of the process of open selection, no one among the numerous applicants has contacted heads of the organization departments in order to receive favor or to get information. In the process of evaluating cadres, everyone was equal, regardless of whether he was a cadre of a leading institution, a grassroots-level cadre, or one on the personal staff of a leading official. Quality and performance were the only things that mattered. Everyone could see clearly who was superior and who was inferior. There was consensus on cadre evaluation at

meetings of the organization departments on departmental affairs, at meetings of the guiding committee, and at meetings of the standing committee of the CPC Provincial Committee. This was a good phenomenon never seen before in the cadre work. This development will play an important role in rectifying the party's style, promoting clean government, and fighting corruption in personnel matters.

In short, the open selection of leading cadres is a fundamental reform of the system of cadre selection and appointment. Its basic characteristic is to transform the cadre selection work from a mysterious matter into an open matter, and to change the situation where a few "Bo Le" would select the horses within certain confines into a situation where horses are selected through open competition on the race ground. In this way, the numerous capable people would not wait for the Bo Le to interview them, but take the initiative in joining the competition, resulting in opportunities and suitable environment for some outstanding talents to emerge. Consequently, the obvious strength of the reform lies in leading to more participants, equal opportunities, more choice, more transparency, and more effective monitoring. Preliminary practice shows that this open, democratic, equal and merit-based method of selection is a good system which meets the needs of more reform and opening to the outside world and the needs of the rapid development of socialist market economy. Its great significance will be more fully demonstrated through continuous perfecting in the future.

PROVINCIAL

Jilin 7th People's Congress Standing Committee Work Report

93CE0342A Changchun JILIN RIBAO in Chinese
2 Feb 93 p 2

[Article by Huo Mingguang (7202 2494 0342), Chairman of the Jilin Provincial Seventh People's Congress Standing Committee: "Work Report of Jilin Provincial People's Congress Standing Committee—Delivered at the First Session of the Jilin Provincial Eighth People's Congress on 14 January 1993"]

[Text] Fellow Deputies:

On behalf of the Jilin Provincial Seventh People's Congress Standing Committee, I would like to report to the congress work accomplished by this standing committee in the last five years.

Since the first session of the Provincial Seventh People's Congress, and under the leadership of the provincial party committee, this standing committee has been guided by the theory of developing a socialism with Chinese characteristics and has diligently implemented the party's basic line of "one core and two basic points" to actively fulfill its many responsibilities entrusted by the constitution and the laws. We have worked hard to uphold and perfect the people's congress system, develop socialist democracy, amplify the socialist legal system, accelerate Jilin's reform and opening up and economic construction, and promote the development of various undertakings. Since Comrade Deng Xiaoping's important speech, delivered during his tour of the south in early 1992, the standing committee has studied it diligently and has tried to put it into practice. We have further liberated our thoughts, become more conscious about implementing the party's basic line, and have strived to uphold the people's congress's work principle of making economic construction the core and the democratic legislative system the focal point to give even more replay to our role as a local organ of state power.

I. Start Out From Practicality, Quicken the Pace of the Local Legislative Process, and Ensure the Healthy Development of Reform and Opening Up and Economic Construction

As pointed out by Comrade Deng Xiaoping, "It is better to rely on the legal system and to have a legal system." In order to provide some legal protection to the healthy development of Jilin's reform and opening up and economic construction, in the last five years, and in the last two years in particular, Jilin has strengthened local legislative work and has accelerated the local legislative process. The standing committee has formulated and promulgated 53 local rules and regulations, approved 14 local rules and regulations drawn up by Changchun City and Jilin City, and has approved seven autonomous regulations and specific regulations applicable to the autonomous nationality localities—totaling 74 laws and

regulations in all, averaging nearly 15 a year. When it comes to local legislation, the standing committee has consciously put economic construction first and has emphasized strengthening economic legislation. Nearly one half of the local rules and regulations and autonomous regulations and specific regulations formulated and approved were economy-related. To accomplish its local legislative tasks, the standing committee has insisted on starting out from Jilin's real conditions and actual needs and has abided by the principle of being practical and realistic. If the state has promulgated a law, we would promptly formulate a local version wherever feasible to give laws and regulations local characteristics. If the state has made no law but Jilin's own construction and reform urgently needed one, on the premise that we were not violating the constitution, law, or administrative laws and regulations, we would take the initiative to formulate some local laws and regulations. Thus, we have quickened the pace of Jilin's local legislative process and have safeguarded the principle of uniformity of law.

II. Check and Supervise Law Enforcement More Stringently and Make Sure That the Constitution, Laws, Administrative Rules and Regulations, and Local Rules and Regulations Are Obeyed and Carried Out

The socialist legal system basically asks for laws to be followed and that laws must be followed, laws must be strictly enforced, and all violations must be prosecuted. While strengthening local legislative work, the standing committee has also diligently obtained and examined reports on the law enforcement efforts of "the government, the court, and the procuratorate" and has examined some regulatory documents, rectified cases of violation of law, cracked down on law enforcement, and has made supervision more effective. In the last five years, we have organized 30 major crackdowns, eight of which were comprehensive inspections organized by the standing committee and 22 were special examinations organized by various special committees.

To make the crackdown on law enforcement more effective, the standing committee focused on the key departments and key issues. First, we specifically checked the law enforcement efforts of the political and law departments. Following the 1988 crackdown on law enforcement in the relevant departments (bureaus) of the provincial people's government and Changchun City's judicial organs, between November 1991 and April 1992, we conducted another round of examination of the province's public security, procuratorial, court, and judicial organs at all levels to see how the criminal, civil, economic, reform-through-labor, and reform-through-education laws and rules and regulations were being enforced. Through these examinations, we have made the leading cadres of all levels and the masses of law-enforcement officers more aware of their role as public servants and have enhanced their legal concept. We have solved some problems which had dragged on for some time and problems which the masses had strong feelings about, and we have supervised the redressing of

some mishandled cases and have prompted the relevant departments to deal with some serious criminal cases. At the same time, we have focused on problems uncovered during the crackdowns and have prompted the relevant departments to make serious amendments and changes. Second, the standing committee specifically checked the administrative organs' law enforcement efforts. Because we felt that there was the need, we specifically checked the administrative organs' efforts in enforcing the "one law and one regulation" pertaining to compulsory education, the "one law and one regulation" pertaining to grassland management, the "one law and one regulation" pertaining to exploitation and management of mineral resources, as well as the water law, food sanitation law, and environmental protection laws. To facilitate the change in enterprise management mechanisms and invigorate the large and medium-sized state-owned enterprises, we launched province-wide inspection of the implementation of the Enterprise Law in 1992 and sponsored the Second Northeast Regional People's Congress Finance and Economic Work Symposium mainly to exchange experiences on the actual implementation of the Enterprise Law. Through these activities, we have facilitated the implementation of the pertinent laws and rules and regulations and have created conditions conducive to accelerating the pace of the province's reform and opening up and economic construction. Lastly, we diligently organized and supervised the effort to make the legal system universal. During the First Five-Year Program to make the legal system universal, the standing committee insisted on checking the program's progress every year. Acting in the spirit of the document and the resolution of the National People's Congress Standing Committee on the Second Five-Year Program to make the legal system universal, we ratified the "Jilin Provincial People's Congress Standing Committee's Resolution on Launching In-Depth Legal System Propaganda and Education" at the Provincial Seventh People's Congress Standing Committee's 22 session held in May 1991. In November 1992, we celebrated the 10th anniversary of the promulgation of the current constitution and promoted a province-wide drive to publicize and educate the people on the legal system. We have enhanced the cadres' and the people's legal concept and laid a good ideological foundation and built a mass base for compliance with the constitution, laws, administrative rules and regulations, and the resolutions of the National People's Congress and its standing committee.

III. Uphold the Principle of Focusing on Important Matters, Make Timely Resolutions and Decisions, Strengthen Supervision, and Promote the Development of Various Undertakings

Local organizational laws stipulate that people's congress standing committees at above-county-level must "discuss and decide their respective administrative district's important political, economic, educational, scientific, cultural, sanitation, civic, and nationality affairs." This is not only an important duty of the standing committee but is also an important way to turn the

party's position into the state's will through legal procedure. In the last five years, based on the provincial party committee's decisions, the standing committee has made 30 decisions and resolutions on important matters concerning the province's development. These decisions and resolutions were in accord with the spirit of the party's basic line, gave expression to the people's will, complied with the principles of the constitution and the law, and played an important role in promoting the development of Jilin's two civilizations. In 1992, acting in the spirit of Comrade Deng Xiaoping's important speech which he gave during his tour of the south and in the spirit of the plenary session of the CPC Politburo, and in order to achieve the objective of struggle put forth by the provincial party committee to step up Jilin's economic development, the standing committee made the decision on mobilizing the province's people to struggle for three years and put Jilin's economy onto a higher platform. It also made the decision to strengthen the comprehensive management of public safety and create a good social environment to safeguard the smooth process of Jilin's reform and opening up and economic construction.

Comrade Jiang Zemin said, "As organ of power, the people's congress's supervision is the highest level of supervision among all types of supervision in this country. Supervising the 'government, the court, and the procuratorate' is an important duty of the people's congress and its standing committee. This kind of supervision aims to control but also to support and promote." In the last five years, to make sure that the party's line and general and specific policies and the organs of state power's resolutions and decisions were carried out, the standing committee has diligently supervised the work of the provincial people's government, the provincial higher people's court, and the provincial people's procuratorate. In addition to organizing many inspections and studies, we have listened to 129 "government, court, and procuratorate" work reports and have made more than 330 suggestions. To make its supervision even more effective, the standing committee upheld the principle of focusing on important matters and stepped up its effort in the following four areas: One, we have maintained closer supervision over the execution of the economic plans and budgets. How well the economic plans and budgets are executed is critical to the development of the province's various undertakings. In recent years, besides conducting inspections, investigations, and studies to uncover problems and bring improvement ideas and suggestions to the provincial people's government in a timely fashion, the standing committee has also insisted on listening to and deliberating the provincial people's government's reports on the execution of plans and budgets in the third quarter of each year to reaffirm the results and identify the shortfalls and set requirements to make use that the plans and budgets were met. Two, we have maintained tighter supervision over the implementation of important party and state decisions. In order to carry out the Party Central Committee and the State Council's plans on rectification and improvement and thorough reform and heed their call on improving

the large and medium-sized state-owned enterprises, the standing committee has organized several inspections, investigations, and studies and has purposefully listened to and examined the provincial people's government's relevant work reports. Three, we have increased the supervision of resolution of critical problems that the masses were generally most concerned about. In the last five years, the standing committee has investigated and examined hot issues pertaining to the comprehensive management of social order, the curbing of the "three disturbances," rectification of college recruitment procedure, easing of the peasants' burdens, and strengthening urban construction and other issues of concern to most people. We have listened to and examined the provincial people's government's relevant work reports and have made suggestions. Four, we have strengthened supervision to ensure honesty in government. After the second session of the Provincial Seventh People's Congress affirmed the "Resolution on Ensuring Honesty in State Organs," the standing committee diligently supervised its implementation. At its 13th session, the standing committee specifically listened to and examined reports by the provincial people's government on the provincial administrative control organs' anti-corruption struggle and reports by the provincial higher people's court and the provincial people's procuratorate on their efforts to enforce the resolution and crackdown on government organs. In addition, letters and visits from the masses have helped the standing committee uncover and deal promptly with problems among workers in the state organs and have helped foster hard-working and honest government organs. The standing committee acted within its duty as stipulated by the constitution and the law and insisted on abiding by the law and diligently maintained supervision where supervision was needed; it was never derelict of its duty. On matters related to the "government, court, and procuratorate," we actively supported those organs' independence and never interfered nor abused our power. In this way, we not only have fulfilled the people's congress's supervisory functions but have also given play to the functions of the "government, courts, and procuratorial," and we have produced good results.

IV. Amplify Democracy, Abide by the Law, Make the Election of the New Session a Success, and Strengthen Local Political Construction

The election law stipulates that "people's congress standing committees in the provinces, autonomous regions, municipalities, cities that are divided into districts, and autonomous prefectures should run the election of people's congress deputies at their respective levels" and "should guide the election of people's congress deputies at below county level within their respective administrative districts." This standing committee has carried out this duty with diligence, given full play to democracy, and has abided by the law at all times. In 1990, we guided the province's counties and townships in electing a new term of deputies, and again in 1992, we guided the election of another term of deputies in the counties and townships. At the same time, under the

leadership of the provincial party committee, we organized the election of deputies to the Eighth Provincial People's Congress. In order to make the election a success, the standing committee made decisions on the number of deputies to be elected to the Eighth Provincial People's Congress and on other election-related issues, and it also decided on the number of deputies to be elected to the next session of the Changchun City, Jilin City, Yanbian Chaoxian Autonomous Prefecture and to the first session of the Songyuan City's people's congresses. We also drew up the election program for the province's county and township people's congresses. To implement the above decisions and programs, we set up experimental points in 11 units to gain experience and also convened an election work conference to make concrete plans, thus making sure that the elections could proceed in a planned and systematic and orderly fashion.

In the last five years, the standing committee has upheld the guiding principle that cadres should be "revolutionary, young, intellectual, and professional," have ability and political integrity, and has upheld the general principle of doing everything according to law. It has improved the method of briefing cadres who were to be appointed or dismissed and has perfected the appointment and discharge procedure. It has appointed 301 staff to the state organs, discharged 128, and accepted the resignation of eight people; it has approved the appointment of 20 and approved the dismissal of seven staff. It has provided the organizational guarantee to building stronger organs of political power and to the comprehensive and steadfast implementation of the party's basic line.

Fellow deputies: The Provincial Seventh People's Congress Standing Committee was able to produce good results during its five-year term mainly because it upheld the following principles:

1. Focusing on Economic Construction Is the People Congress's Basic Guiding Ideology

The 14th National Party Congress pointed out that "14 years of great experience comes down to one point; that is, we must steadfastly uphold the party's basic line of letting ourselves be guided by the theory of developing a socialism with Chinese characteristics." "The key to firmly upholding the party's basic line lies in steadfastly making economic construction the core." Looking back at the last five years, we deeply realize that only by making economic construction the core and obeying and serving this central point can the people's congress's work serve the people's basic interests, and only then can we preserve the essence of the people's congress system. The standing committee's guiding ideology is very clear on this point. At the provincial peoples congress work symposium held in October 1989, it was pointed out that the people's congress must revolve around the party's central tasks and around economic construction, consciously putting serving economic construction on the agenda. The standing committee insisted on reviewing each year's work before launching an in-depth study on

how best to serve the economy in the next year by soliciting ideas and suggestions from all circles and then determined each year's main tasks and carried them out diligently. The Seventh People's Congress standing committee has examined a total of 328 issues, 234 of which, or 71 percent, were related to the economy. In recent years, in order to accelerate Jilin's reform and opening up and economic construction, we have stepped up inspection, investigation, and study of the development of the more crucial open zones and development zones and the implementation of major reform and open up measures. Last year, we also listened to and examined the provincial people's government reports on the integration of science and technology and the economy, on its work in the open zones and development zones, and on the implementation of the Contract Law. Because its guiding ideology was clear and its work was well-defined, the standing committee has played an effective role in the province's economic construction over the last five years.

2. Abiding By the Law Is the Standing Committee's Basic Principle in Exercising Its Duty and Power

Comrade Deng Xiaoping stressed that in order to safeguard people's democracy, we must institutionalize and legalize democracy. From the people's congress's organization to its function and power and to the method and procedure it follows in exercising its power, everything is stipulated by the constitution and relevant laws. Therefore, all of the people's congress's work must have legal basis and must follow legal procedure. This is an important link in the development of socialist democracy. Abiding by the principle of doing everything according to law, the standing committee started out by perfecting its functions and meeting needs and, on the basis of summing up its practical experiences and complying with the principles of the constitution and the relevant laws, it promulgated the Provincial People's Congress Rules of Procedure, the Provincial People's Congress Standing Committee Rules of Procedure, and the Provincial People's Congress Special Committees' Work Rules, thus putting the provincial people's congress and its standing committee and the work of specialized committees work onto a standardized and institutionalized track, making sure that their functions were carried out correctly and effectively. It drew up the Provincial People's Congress Provisions on Formulating Local Rules and Regulations, stipulating in clear and concrete terms how those rules and regulations should be proposed, examined, ratified, and promulgated. All these have played an important role in strengthening Jilin's local legislative work. The standing committee also formulated provisions on how the Jilin's people's congress standing committees at different levels might supervise the people's courts and people's procuratorates at their respective levels, thus tightening their supervision over the courts and the procuratorates. It drew up detailed rules on people's congress elections at the county and township levels, guaranteeing the healthy development of those elections. It formulated work rules for the

province's people's congresses at all levels, providing legal safeguard for the deputies to engage in regular activities and exercise their power and fulfill their responsibilities. The above systems and provisions have to do with basically every aspect of the people's congress's work and make up a fairly complete system. They have played an important role in further improving Jilin's people's congress's functions and safeguarding and promoting its work.

3. Relying on the Deputies and the Masses Is the Solid Foundation to the People's Congress's Success

The people are the country's and society's masters. This is the central theme and the fundamental principle of China's system of people's congress. The people's congress and its standing committee are organs exercising state power on behalf of the people. Only by forging close ties with the people can they truly represent the people and truly become the main channel that links the masses, reflect their wishes, and resolve their conflicts. People's congresses at different levels are made up of deputies at the respective levels who have been sent by the people to the organ of state power. Only by respecting the opinions of the deputies can we give play to their role and only then can we give expression to the essence of China's system where the people are the masters, and this is the basis of the success of the people's congress's work. Upon reviewing its experiences, the standing committee has further established and improved the deputies' work organization and system to put their activities onto a regular, institutionalized, and standardized track. It has improved the way the deputies' motions and "proposals, criticisms, and suggestions" were handled: In the past, these were gathered before a meeting and dealt with after a meeting, but now they are collected before and during a meeting and dealt with during and after a meeting, thus speeding up the process and making sure that they are handled properly. In the last five years, we have hosted more than 10 assorted forums to solicit the deputies' ideas, and we have consciously accepted their supervision and forged closer ties with them. Treating the people's letters and visits seriously is an important way to give play to the people's congress's role as the main channel and is an important expression of the mass line. The standing committee has always put the people's letters and visits on the top of its agenda and has formulated "Jilin's Provision on Handling the People's Letters and Visits," putting the people's letters and visits onto a legislated management track. In the last five years, we have received 31,268 letters and visits from the deputies and the public, and we have treated them seriously. They not only have provided us with information and material for supervision but have forged closer ties between the standing committee and the masses. In order to reflect fully the people's wishes and to carry out its duties properly, the standing committee has always given priority to its investigations and studies. In the last five years, it has organized more than 200 special investigations and has prepared many investigative reports which provided information, analyses, and suggestions,

and some of them have become topics of discussion in the standing committee meetings and bases of its resolutions and decision; some have become "proposals, criticisms, and suggestions" and have been sent to the provincial people's government, provincial higher people's court, and provincial procuratorate; some have been sent to the provincial party committee as reference materials to facilitate decision-making; some have been published in the newspapers for prompt exchange of ideas. The transformation and application of these results of investigations and studies have helped the people's congress's work become more thorough.

4. Strengthening the Standing Committee's Own Organization Is an Important Factor In the People's Congress's Success

As China's socialist modernization and reform and opening up become more thorough, the people's congress and its standing committee's tasks also become more arduous, and this means the local people's congress standing committees must give top priority to their own construction. The standing committee has always attached great importance to raising the ideological and theoretical standards of the cadres in the people's congress and has organized members of the standing committee and cadres in government organs to diligently study and learn about Comrade Deng Xiaoping's theory on developing a socialism with Chinese characteristics and his exposition on the people's congress system as well as the gist of the Party Central Committee's and the provincial party committee's instructions. It has held steadfast the political direction of the people's congress's work and has increased the sense of mission, sense of responsibility, and sense of honor in accomplishing the work of the people's congress, and in turn it has given play to the role of the standing committee as a whole. The standing committee attaches importance to the development of the special committees and has always made that an important part of the improvement of its own structure. In March 1989, the second session of the Provincial Seventh People's Congress added six special committees to the standing committee's original six work committees. Since their formation, the special committees have actively and voluntarily complied with the law in carrying out some of the functions of the provincial people's congress and its standing committee and have accomplished much. In the last three years, the special committees have launched 186 inspections and investigations, listened to 158 work reports from relevant departments of the "government, court, and procuratorate," and have drawn up 92 proposals and prepared more than 200 reports based on their inspections, examinations, and studies. They have played an important role in carrying out some of the provincial people's congress and its standing committee's functions. Focusing especially on the organs' political and professional standards, the standing committee has worked hard to strengthen their ideologies, system, and honest-government installations. Government office workers have come to understand better the people's congress's

guiding ideology and have acquired a better sense of service and have improved work efficiency.

5. Upholding and Relying on the Party's Leadership Is the Fundamental Guarantee of the People's Congress's Success

The CPC is the ruling party; it is the core of leadership of all socialist undertakings. The party exercises its leadership in state matters through the organs of political power. The people's congress and its standing committee must uphold the party's leadership in order to fulfill their functions. The Seventh People Congress Standing Committee has relied on the provincial party committee's leadership to carry out its tasks, which consisted mainly of the following: One, it has diligently implemented the party's basic line and the Central Party Committee's and the provincial party committee's instructions and has consciously integrated the implementation of the party's line and general and specific policies with the constitution and the laws to make sure that the work of the People's Congress would always proceed in the right direction. Two, it has steadfastly turned the party's position into the state's will through legal procedure. After it understood thoroughly the provincial party committee's intention, the standing committee would promptly make a resolution or a decision or formulate local rules and regulations to give expression to the party's leadership in local and state affairs. Three, it has upheld the system of obtaining instructions and reports from the provincial party committee. Before making a resolution or decision or formulating local rules and regulations, it would always ask the provincial party committee for instructions and reports and obtained an approval on principle before proceeding. The standing committee has strived to gain the provincial party committee's leadership and support on all people's congress's undertakings. Four, the standing committee's party organization and party-affiliated committee members have diligently abided by and spearheaded the implementation of the provincial party committee's decisions to give play to the party organizations' role as the core of guarantee of the people's congress's undertakings.

The Seventh Provincial People's Congress Standing Committee has victoriously completed its historical mission. In the last five years, the standing committee's work has produced results, but we still fall short of the duties entrusted us by the constitution and the laws and fall short of the demands of the 14th National Party Congress. We still have not adjusted to the need or the mission to accelerate the pace of reform and open up and economic construction and still lag behind in some areas. We must speed up the local legislative process, especially in formulating economic laws. We are still inadequate in investigating and studying the province's important local, basic, and long-term issues, and as a result, we have not been able to make prompt resolutions and decisions on some important matters pertaining to the province's development. Our supervision is not effective enough, laws are not being followed, law enforcement is slack, violators are not prosecuted, words

are replacing laws, and power is more forceful than the law—these phenomena are present in some localities, and the masses are upset. There are still some weak links in the organs, especially in terms of ideology and organization, which we must diligently improve. The standing committee has taken some measures to make changes and improvements and has been successful to some extent. Fellow deputies, the next five years under the Eighth Provincial People's Congress will be five years during which Jilin's people of all nationalities will act in the spirit of the 14th National People's Congress, uphold Comrade Deng Xiaoping's theory on developing a socialism with Chinese characteristics and the party's basic line of "one core and two basic points," stand united and struggle to seize even greater victory in the province's socialist undertakings. It is our belief that the Eighth Provincial People's Congress standing committee will be able to shoulder the great responsibility entrusted by the people of Jilin and, under the guidance of the gist of the 14th National People's Congress and the leadership of the provincial party committee, will perform even more successfully and more effectively to give full play to its role as a local organ of state power, and it will make new contributions toward the development and perfection of the socialist market economic system, toward accelerating the pace of Jilin's reform and opening up, putting the economy onto a higher platform, and seizing greater victory in the development of the socialist material civilization and spiritual civilization.

The above report awaits your examination.

Articles Describe Fuzhou City Real Estate Trends

Pace of Market Improves

93CE0322A *Fuzhou FUJIAN RIBAO in Chinese*
16 Feb 93 p 6

[Article: "Fuzhou Real Estate Market Booms—253 Commodity Houses With Total Floor Space of Over 20,000 Square Meters Sold at the Four-Day-Long Eighth Trade Fair"]

[Text] In a period of four days, the Fuzhou City Eighth Real Estate Trade Fair which concluded on 9 February sold 253 commodity houses with a total floor space of over 20,000 square meters, and accepted 342 letters of intent from prospective buyers. The total amount of real estate transactions exceeded 69 million yuan. The fair also received mortgage payments totaling 20.19 million yuan, house rents totalling 80,000 yuan, and 38 applications to exchange residential quarters; and issued 668 house ownership certificates on the spot. The fair was also extremely active in providing other business opportunities.

It is understood that reasons for the active real estate market in Fuzhou since spring this year are as follows:

1. Efforts have been made to quicken the pace in transforming the old sections of the city and building more houses for sale. The real estate trade fair puts

houses with a total floor space of over 3,000,000 square meters on the market—the largest number of houses for the past several years.

2. Efforts have been made to improve both soft environment and hard environment, and attract foreign capital to develop real estate business. More than two-third of the houses are under the management of Chinese-foreign joint ventures and cooperatives and wholly foreign-funded enterprises.

3. The booming tertiary industry has given an impetus to the development of other related industries. As a result, there is a greater demand for houses.

4. People in the city have changed their concept on houses, and their can now afford to buy houses. There are more people who wish to buy houses in an effort to combat inflation or improve their living standards.

5. There are more overseas Chinese and compatriots from Hong Kong, Macao and Taiwan who want to buy houses. They are good prospective buyers. During the fair, 15 compatriots from Taiwan made a special trip to Fuzhou to make inquiries.

6. Houses put on sale are of many varieties. There are more models, designs and plans to choose from. Particularly there are many medium and top quality houses on display.

7. There is fierce competition among builders. A readjustment mechanism is taking shape for the real estate market. More than 90 percent of the transactions at the fair were the results of competitions among various development companies.

Management System Undergoes Reform

93CE0322B *Fuzhou FUJIAN RIBAO in Chinese*
16 Feb 93 p 6

[Article: "Fuzhou's Housing Management System Undergoes Reform in Four Aspects"]

[Text] The housing management system in Fuzhou City will exert even greater efforts this year in carrying out reform, and adopting the following new measures:

1. It will set up a public housing management and development company under the direct administration of the city, and turn the purely administrative unit into a business-like development and management system so as to bring into full play its role in running real estate business.

2. It will reform the real estate management system, form a city-wide real estate management and administration group company and try to make breakthroughs in enlarging the business scale, improving the management skills and achieving even better overall financial results. It plans to start construction work on houses with a total floor space of 700,000 square meters and finish 200,000 square meters this year.

3. On the basis of the guideline laid down by the No. 1 document of the provincial government, it will make use of various channels to help the related departments of the province and the city closely coordinate with each other on housing reform projects, work out supplementary rules, and formulate the overall plan for housing reform in Fuzhou at the earliest date.

4. It will set up and improve the real estate market, establish a company to act as go-between in doing real estate business and a real estate trust company to extensively carry out inspection, certification, mortgage, appraisal and other business activities, or to act as an agent in selling, buying, renting and leasing real estate. By carrying out reform in the aforementioned four aspects, it seeks to make the "four wheels turning simultaneously"—the simultaneous development of real estate development, administration, management and services; promote "three acceleration's"—acceleration in repairing unsafe houses, helping displaced residents find living quarters and developing business in selling and buying "three types of properties"; and strengthen the control over the real estate market and the real estate management and administration system.

Policy for Displaced Residents

93CE0322C Fuzhou FUJIAN RIBAO in Chinese
16 Feb 93 p 6

[Article: "Fuzhou To Sell Low-Priced Houses to Displaced Residents This Year"]

[Text] Fuzhou City will sell low-priced houses to displaced residents, using "installment plans, paying rent in lieu of mortgage interest payment and appropriate subsidy."

The usual practice is: The buyer pays 50 percent of the total cost of the house first. The remaining 50 percent should be paid within the next three years after the owner moves in. The buyer pays 10 percent in the first year, 20 percent in the second year and another 20 percent in the third year. From the day the owner moves in, he or she pays an amount in the form of rent equal to two-third of the bank interest for the unpaid portion of the total housing cost to the City Construction and Development Company on Housing for Displaced Residents. An amount equal to one-third of the bank interest will be set aside by the company as subsidy to those who live in "most straitened circumstances." Houses to be built on an experimental basis this time will be located in the Fuxinchahui Lower District with a total floor space of 6,503 square meters. The houses will be ready for occupancy in 1994. Low income people with registered permanent residence in Fuzhou, whose residence is less than four square meters per capita may apply to buy a house with the proper guarantee of a local administrative unit. After the buyers' eligibility is properly checked, they will be told to gather at the construction site to draw lots. Lucky winners will be allowed to buy houses.

Qinghai CPC Secretary on Economic Development HK0904133293 Xining QINGHAI RIBAO in Chinese 2 Jan 93 pp 1, 2

["Excerpts" of speech by Qinghai CPC Secretary Yin Keshing at Provincial Economic Planning Work Meeting on 30 December 1992: "Several Issues To Be Conscientiously Studied and Solved in This Province's Current Economic Work"]

[Text] I. Further Shift Leaders' Energy and Work Focus to Economic Construction

The spirit of the 14th Party Congress and the main idea expressed by Deng Xiaoping in his talks during the inspection tour to the south can be condensed into one point and that is, quickening the pace of reform and opening and concentrating people's energy on economic construction. For this province, striving to boost economic construction and changing the unfavorable situation of lagging behind in economic development is the overriding central task. Since the Third Plenary Session of the 11th CPC Central Committee decided to shift the focus of the work, 14 years have passed. However, this issue has not been completely and properly solved to date in this province. In some fields and links of our work, the shift of the work focus has not been effected thoroughly. Some departments and some comrades still lack a high degree of consciousness in obeying and serving the central task of economic construction. For example, some major economic policies which we formulated in the past often cannot be put into practice smoothly; some departments and some people are often dilatory in carrying out, or even defy, decisions made by the provincial party committee and the provincial government; some functional departments still obstruct the development of grass-roots communities and the operation of enterprises; no substantial changes and no quick developments have been made yet in a small number of localities and departments; and with regard to work style, incidents of passing the buck to each other still occur frequently. In the final analysis, the appearance of all such problems is related to the fact that some people have not firmly established the idea of taking economic construction as the central task. Therefore, in the course of studying and implementing the spirit of the 14th Party Congress, efforts should be focused on conducting education on the party's basic line. In all fields of work, economic construction should be placed above everything not only in word but also really in action.

After the end of economic readjustment and rectification, the economic growth rate in this province was much slower than in other parts of the country. How to strive for a quick growth rate on the basis of improving the structure and enhancing efficiency is a major issue we face. At present, the main contradiction that plagues us is that we cannot develop quickly in spite of our desire so to do and any "overheated" situation absolutely does not exist. As Vice Premier Tian Jiyun said when inspecting Qinghai: "Can Qinghai be warmed up in

reform, opening, and economic work? How warm can you become? You do not have many major projects and have no money even if you want to become warm. When the whole country is heated, you may still remain cool. So we want to give you more heat. When the whole country gets hot, you should not remain cool." His analysis was completely in keeping with the province's reality and hit on our main problem. Therefore, we should not continue to argue whether it is too "hot" or too "cold" and should not echo other people's remarks or blindly copy the same allegations as in other localities.

The decisive factor concerning whether economic construction can be boosted lies in the people. Changing their mentality and making proper use of personnel comprise the key to economic development. With a new mentality, competent personnel will emerge in large numbers and the economy will become prosperous. The provincial party committee encourages and supports people who are engaged in reform and economic work and gives them help and bears responsibility when they make errors. It is necessary to be bold in selecting and appointing pioneering cadres who are open-minded, dare to break new ground, and make accomplishments in reform, opening, and economic work; and cadres who still cherish the outmoded and preserve the outworn, who are incompetent and mediocre, and who bungle matters should be dismissed from office.

II. Intensify Adjustment of Production Structure in Rural and Pastoral Areas

Agriculture and animal husbandry form the foundation of this province's economy. Under the new situation, in which the national economy is becoming warm across the board, we must never neglect or relax crop and animal farming. It is necessary to earnestly study and implement the spirit of General Secretary Jiang Zemin's speech and Premier Li Peng's recent speech. Agriculture must be placed in the top position among the various aspects of the economic work and this must remain firmly invariable for a long period of time. Next year, the intensity of production structural adjustments in rural and pastoral areas should be increased on the basis of continuing the extensive and intensive development and properly handling the routine work. The structural adjustments should serve "one purpose" and be carried out in "two aspects."

The so-called "one purpose" is to achieve "high yield, good quality, and high efficiency" in the development of agriculture and animal husbandry, to eliminate poverty, and become better off. This is the general objective of the work in all rural and pastoral areas. During recent years, output from crop and animal farming increased annually but the income level of the masses still did not rise quickly. The fundamental reason was the structure of crops and animal products remained too simple, and their quality remained low, while the secondary and tertiary industries were not developed. The potential of the production structural adjustment lies mainly in diversifying varieties and enhancing product quality,

while the adjustment of the product mix and the production structure must also be combined with measures to give full play to local advantages. Therefore, achieving "high yield, good quality, and high efficiency" in the development of crop and animal farming should be taken as the orientation of the production structural adjustment and as the strategic measure for enabling peasants and herdsmen to become better-off. The foundation for developing "high-yield, good-quality, and high-efficiency" agriculture lies in the villages and efforts to adjust the production structure should also be focused on the villages. The sampling activities of building comparatively well-off villages will promote the production structural adjustment in rural and pastoral areas and will promote the development of "high-yield, good-quality, and high-efficiency" agriculture. It is proposed that next year, about 100 villages will be selected in areas with better conditions to carry out the sampling project of building comparatively well-off villages; some villages and communities in the pastoral area around the lake will be selected to carry out the sampling project for developing modern animal husbandry around the task of the "four coordinations."

The so-called "two aspects" of adjustment refer to the internal structural adjustment in agriculture and animal husbandry and the economic structural adjustment in rural and pastoral areas. The internal structural adjustment of agriculture and animal husbandry is aimed mainly at: Overcoming the outmoded idea which views agriculture merely as crop farming and regards crop farming merely as growing grain crops; establishing the guideline for developing mega-agriculture; and taking the path of comprehensively developing agriculture, forestry, animal husbandry, sideline production, and fishery. It is necessary to take measures according to local conditions to expand the area sown to cash and fodder crops under the premise of guaranteeing the stable increase in the production of grain and cooking oil so that animal husbandry, forest products, fruits, vegetables, aquatic products, and medicinal plants can gradually represent the advantages of this province's production.

The economic structural adjustment in rural and pastoral areas is focused on enlarging the proportion of the secondary and tertiary industries in the whole economy. At present, we can clearly see that the rate at which the incomes of peasants and herdsmen can increase, and to what height the level of economic growth in rural and pastoral areas can be raised, will be increasingly contingent on the growth rate and efficiency of the nonfarming industries. Therefore, we must rapidly develop township and town enterprises. This is the key to boosting the economy in rural and pastoral areas and enabling peasants and herdsmen to lead a comparatively well-off life in the 1990's. The state has decided to allocate funds of 5 billion yuan, mainly to bolster the development of township and town enterprises in the central and western regions. This opportunity must not be let slip. The

general concept should be: Give play to the local advantages, give prominence to the key points, and use multi-wheel drive and multitiered development. It is necessary to further shake off the shackles of the "leftist" ideology; constantly boost the collective, individual, private, joint venture, and joint-stock cooperative economies at the same time; and particularly encourage the development of the individual, private, and joint-stock economies without reservation.

In this province, the individual and private economies have just begun to grow and still account for only a very small proportion of the whole economy. By the end of 1991, the individual, private, and other nonpublic economic elements accounted for merely 2.3 percent of the total industrial output value; their proportion in the total retail sales was a bit larger but still accounted for only 25.7 percent, much lower than the national average. Therefore, we should boldly promote the development of such economies without reservation and should not have any misgivings or adhere to any improper conventions. Recently, a certain province came up with a policy of "lifting four restrictions" on the development of the individual and private economies, namely: No restriction on the proportion of development, no restriction on the scale of development, no restriction on the scope of operations, and no restriction on the conditions for starting a new business for individual and private enterprises. If this is feasible in an economically developed locality, then we should adopt a more relaxed and more flexible policy in order to ensure the real development of such economic elements.

III. Invigorate Existing Enterprises Using Every Possible Means

At present, there are 1,477 industrial enterprises at and above the township level, with nearly 10 billion yuan in fixed assets and annual output value in excess of 6 billion yuan. They form the major foundation for our advances. In the last two years, the low-speed economic growth in this province was mainly caused by the low growth rate of industrial production. It is now necessary to give full play to the role of the existing material foundations and to tap the potential of the existing enterprises. This is of great importance in speeding up our economic growth. Therefore, invigorating the existing enterprises should be taken as a major task in our economic work. First, we should conscientiously implement the "Regulations on Transforming the Operation Mechanism of the Industrial Enterprises Owned by the Whole People" and actually ensure that the enterprises can have decisionmaking power in the 14 aspects of their management and operation. Second, the enterprises should be encouraged to adopt various forms of contracted management and operation. With regard to the party and administration system, with the exception of some large enterprises, the enterprise manager can concurrently be leader of the party organization in the enterprise. The form of management can be flexible and remuneration can be linked with sales. In one factory, two or more different systems can be adopted at the

same time and the joint-stock system can also be adopted. It is necessary to further improve the enterprise contracted management system. Different forms of management contracts can be adopted in different types of enterprises. In the forms of contracts, some major action should be taken and new breakthroughs should be made so that enterprises can change the pressure into the driving force and really invigorate their operations. Third, we must be determined to solve the problems existing in some enterprises which are facing special difficulties. Pertinent measures should be adopted for every specific factory according to its specific conditions. Some of the problem enterprises can be helped and supported; some can effect changes in their production; and some can be merged with other enterprises.

Fourth, the favorable policies for collective enterprises should be properly implemented. Collective enterprises should be allowed to develop freely according to their own characteristics and should thoroughly shake off the previous development mode of being "secondary state-owned enterprises." Fifth, government functions should be transformed more quickly. The general switch for transforming the operation mechanism of the enterprises is the transformation of the government functions. Without changing the government functions, it will not be possible for the enterprises to free themselves from the position of being subordinate to the government.

IV. Make Great Efforts To Develop Resources

Resources development represents the hope of Qinghai's economic development. This has become the consensus of opinion throughout the province from top to bottom. In the new year, we should make persistent efforts to make new advances in resources development and to consolidate and develop the established good situation in comprehensive resources development. First, it is necessary to support the state's key construction projects, properly arrange the concluding and follow-up work for the projects which have been completed to ensure their stable operation in their designed capacity, properly arrange the projects which are under construction or which will soon be started, and properly arrange the preliminary work of projects to be started later on. Second, it is necessary to further quicken the process of resources development in various localities and to complete a number of projects, start a number of projects, and prepare a number of projects within the year. In view of the current situation, attention should be paid this year to properly solving four issues in the development of local resources: 1) conscientiously arranging the preliminary work for the projects; 2) properly arranging the development funds; 3) attaching importance to the processing of resources; and 4) ensuring the key areas and the key projects. The key areas for resources development should organize crack leading forces and adopt the responsibility system for the development projects in order that the relevant work can be done effectively.

V. Go All Out To Develop Tertiary Industries

The development of prosperity of the tertiary industry forms a major characteristic in the modern economy. We should conscientiously implement the decision of the party Central Committee and the State Council on quickening the development of the tertiary industries, study and formulate this province's program and relevant policies for developing the tertiary industries, and continuously enhance the proportion of the tertiary industries in the GDP. The rate of the tertiary industry's development is closely related to the economic development foundation of an area. We should proceed from the actual needs of this province and develop what is needed and give priority to the development of the items which represent our advantages according to our material and financial capacities. All social forces should be mobilized and the initiative of all quarters concerned should be aroused and brought into play. The state, the collective, and the individual should take action simultaneously and all trades and industries should make contributions to the gradual development and growth of the tertiary industry. Party and government institutions should assign some of their personnel in running economic entities in the tertiary industry when carrying out institutional reform and functional transformation. The service sections of the institutions can be opened to society and provide paid services for the public.

VI. Attach Importance to Infrastructural Construction

Strengthening infrastructural construction and providing a good environment for developing the economy and attracting domestic and foreign investment is an issue that must be effectively solved in the economic work. We should, according to the arrangements in the Eighth Five-Year Plan, properly handle the backbone projects in the fields of transportation, postal service, and telecommunications. Once the first phase of the expansion and transformation project for the Qinghai-Tibet Railway is under way, we should begin studying and formulating the second-phase transformation project at an early date. It is necessary to use the Lanzhou-Xinjiang Railway to transport goods from western Qinghai out of the province. Efforts should be continued to properly coordinate railway and highway transportation and the transportation capacity should be properly used. Goods which can be transported by highway should be transported as much as possible by highway so that railways can be used to transport large batches of key materials over long distances. Because the contradiction between transportation demand and transportation capacity cannot be mitigated within the near future, commodities with higher additional value should be transported first as should materials which are more urgently needed. Caojiabao Airport should be brought into full use. Air transportation should be developed through actively soliciting the state's support and through developing cooperation with other localities. The equipment and comprehensive capacity of postal services and telecommunications should be enhanced. Communications conditions in the whole province,

especially the key development areas, should be gradually improved. A communications network composed of various communication means, with Xining as the center, should be built up.

Infrastructural construction requires huge amounts of investment. Only a limited quantity of work can be arranged every year if we only rely on the existing financial resources, and this can hardly meet the needs of socioeconomic development. To solve this problem, we need new ideas and new measures and we should boldly introduce the market mechanism to the field of infrastructural construction. The method of having the state handle everything in infrastructural construction should be changed. The departments concerned should study and formulate favorable policies and regulations for using social forces to develop infrastructural construction.

VII. Promote High-Speed Development in Key Areas

Developing the regional economy is a major trend in modern economic development. This province has a vast area and the distribution of population is extremely uneven and the geographical and natural factors and degree of social and economic growth varies greatly from one locality to another. This determines that we must pursue the strategy of uneven advance and give full play to the leading role of the key cities and areas along the transportation lines, thus nurturing the overall development of the economy throughout the whole province. In the past, we used to neglect the fact that the development of productive forces is always uneven and tended to make all localities advance in line abreast and seek "even distribution" of resources and wealth. This is impossible. We must first selectively support the development of some key areas with better basic conditions, a comparatively high degree of social development, and a higher density of population, wealth, and resources. Specifically speaking, we need to quicken the pace of development and construction in areas such as along the Lanzhou-Qinghai Railway and the Qinghai-Tibet Railway in eastern Qinghai, Xining, the Qaidam Basin, and the upper reaches of the Huang He. The development of these central areas will bring along the development of the two flanks.

VIII. Raise Construction Funds Through Various Channels

The rate of economic growth will be contingent on the scale of investment. Expanding the financial sources and increasing the input of funds constitute preconditions for raising the economy onto a new stage. To solve this issue, we also need to broaden our thinking, open more channels, and adopt various feasible measures. For a fairly long period to come, it will remain necessary for us to solicit the state's financial support in order to start more key projects in this province. However, it is unrealistic if we merely rely on the state excessively. We must bring our own initiative into play, rely on our own

efforts, and try by every possible means to raise construction funds through various channels and at various tiers. First, we should properly and effectively use bank loans; second, we should actively attract funds from other provinces and from overseas areas; third, we should raise funds through issuing stocks; fourth, we should issue bonds; and fifth, we should foster the growth of the financial market.

This province has always been short of financial resources. In recent years, the financial and taxation departments at various levels have made great efforts to maintain a balance between revenue and expenditure and their meritorious service is significant. However, most enterprises have also had difficulties and many of them lack the capacity of self-transformation and self-development. When facing such a dilemma, what we can do is to exert ourselves to meet the needs of both sides as much as possible. In the future, the financial and taxation departments should continue to keep the idea of serving economic construction, pursue the guideline of giving before taking and letting out the water to keep the fish alive, and try to allocate as much money as possible for economic construction. Only by letting out water to keep the fish alive can financial resources be gathered.

IX. Take Scientific and Technological Progress as Strategic Key Point

Science and technology form the primary factor of productive forces. "Economic construction must rely on science and technology and science and technology must be oriented to economic construction." Party committees and governments at various levels should fully understand the strategic significance of science and technology in this province's development, fully implement the policies and measures formulated by the provincial party committee and the provincial government for relying on science and education to seek development in this province, and give full play to the leading role of science and technology in economic development. Various economic departments should focus their efforts for boosting enterprise production and development on making scientific and technological progress and enhancing their economic efficiency; the scientific research institutions should focus their work on directly dealing with actual problems in industrial and agricultural production, give full play to the role of the existing research institutes, colleges, and universities, quicken the spread and application of scientific and technological achievements, and make them better serve the purpose of economic construction. It is necessary to strengthen propaganda and education, thus making people better understand that Qinghai's development will rely mainly on scientific and technological progress. We should strive to create a social atmosphere throughout the whole province, wherein all people from top to bottom attach importance to science and education and support its development.

It is necessary to continue to deepen the structural reform in the scientific and technological work, thus

enhancing the dynamism of the scientific research institutions. We should strive to foster and develop the technology market, gradually shift toward commercializing the operations of the research institutions, orient the research activities toward the market, turn the research achievements into commodities, quicken the spread and application of scientific and technological achievements in the economic field, and closely combine scientific and technological progress with economic construction. The departments concerned should study and formulate favorable policies as soon as possible to improve the working and living conditions of the scientific and technical personnel and formulate methods to give them awards. Substantial awards should be given to outstanding personnel. This will keep the ranks of the scientific and technical personnel stable, encouraging and supporting those who voluntarily work at the grassroots units of various prefectures and counties and in the forefront of production. Under the premise of completing the official assignments, they should be allowed to take moonlight jobs. The initiative and creativity of the scientific research institutions and the scientific and technical personnel should be fully aroused so that they will make contributions to promoting this province's economic development.

X. Further Expand Opening to Outside World

Opening up to the outside world, in essence, means economic complementarity and cooperation between different regions and between different countries. Qinghai is neither a coastal province nor a border province and its natural environment for opening up to the outside world is comparatively less favorable. However, this does not mean that we cannot do anything in the aspect of opening up. We have huge reserves of high-quality salt and other mineral resources and superb hydrodynamic resources that can be tapped. In addition, this province has rich animal resources, wild plants and animals, and other special native products with plateau characteristics, as well as the unique geographical features and human resources of the Qinghai-Tibet Plateau. All such things represent the advantages of this province in opening up to the outside world. Therefore, we must not underestimate our capacity and must not be daunted by the difficulties and lose our self-confidence. We should make full use of our favorable conditions and continuously improve the soft environment for opening up to attract investment and promote our development. We should be ready to go all out to do whatever is favorable for increasing this province's economic strength, developing the productive forces, helping the people eradicate poverty and become better-off, and enabling the people to increase their incomes. We should not be afraid of suffering temporary losses and should dare to allow overseas investors to reap handsome and long-term profits. Only thus can we also gain the benefit. At the same time, we should actively seek ways to expand the scale of opening up. First, we should take the initiative in moving out of Qinghai to set up our own windows in coastal and border areas, thus expanding our

contacts and relations with the outside world. That is to say, we should borrow ships to go to sea, borrow the border ports to go abroad, and borrow other people's land to make a fortune and develop ourselves. We should also encourage our enterprises to extend their business into other parts of the country and even into other countries. They can undertake contracts and run enterprises in other parts of the country and in foreign countries. Second, we should properly attract funds and technologies into Qinghai, attract investors from other provinces and from foreign countries to run enterprises in Qinghai through making friends widely with all parts of the country and the world and by building up various channels. Third, we should give full play to the bridging role of tourism in opening up to the outside world, strengthen the construction of tourist facilities, open new tourist points and lines, and shift the focus of the tourist industry from merely receiving tourists to developing and using the tourist resources to increase our income. Fourth, we should make great efforts to give publicity to Qinghai, thus raising its fame. Qinghai has a vast area and rich resources. It has the sources of major rivers, famous mountains, vast grasslands, and rich resources. It has great potential for development. This is a wonderful treasure land known to few people. We should give publicity to Qinghai in various forms so that people in the outside world will know Qinghai better. We should arrange some economic and trade fairs and news briefings at home and abroad in due course and we should attract domestic and foreign businessmen to Qinghai by holding a "Xihai Cultural Festival" and other cultural activities, thus promoting Qinghai's economic development and opening.

FINANCE, BANKING

Tax Inspection Yields 8.174 Billion Yuan

93CE0333B Beijing ZHONGGUO SHUIWU BAO
in Chinese 8 Feb 93 p 1

[Report: "Grand Tax, Finance, and Price Inspection Is Basically Concluded, Uncovering Violations of Laws and Regulations Involving Money in the Amount of 8.174 Billion Yuan"]

[Text] According to a source at the State Council office on the grand tax, finance and price inspection, the 1992 nationwide grand tax, finance and price inspection is now basically concluded. With the emphasis and support given by the State Council and local party and government leaders, violations of laws and regulations involving money in the amount of 8.174 billion yuan had been uncovered nationwide by the end of December, 1992, through the concerted efforts made by the localities, government bodies and all on the inspecting team. Of that amount, 5.476 yuan should be handed over to the state, and 88 percent has already been handed over in make-up payments.

The violations of laws and regulations were mainly in the categories of evading industrial and commercial taxes, withholding, hiding and making unauthorized use of

profits, and evading contributions to energy-transportation funds and budget adjustment funds; violations of these categories accounted for 75.3 percent of the total amount of money involved in the violations of laws and regulations. The situation regarding the violations uncovered shows that some collective enterprises, private enterprises, and individual business operators have a rather serious problem of tax evasion; the techniques used made the tax evasion hidden, thus making inspection more difficult. In the process of the grand inspection, nationwide 53,870 entities received economic punishment. Of those units, 385 committed violations involving money in the amount of 0.5-1 million yuan, and 262 committed violations involving money in the amount of over one million yuan. The grand inspection not only played an active role in giving stronger effect to the financial laws and regulations of the state and suppressing violations of laws and regulations so as to prevent the washout of fiscal revenue, but also created a good socioeconomic environment for speeding up the reform and opening to the outside world.

According to a comrade in charge of the State Council office on the grand tax, finance, and price inspection, nationwide 9.2 million enterprises and 10 million individual business operators participated in self-inspection in 1992. The fiscal, auditing, taxation, price and enterprise-supervision authorities at all levels as well as accounting and auditing offices sent 520,000 people to conduct focused inspection of 294 enterprises and individual business operators at different times. There were 7,571 delegates to the People's Congress and the Political Consultative Conference of various levels, as well as members of the democratic parties who participated in the grand inspection in various ways. A prominent feature of the grand inspection of 1992 was that while conscientiously uncovering and meting out punishments on violations of laws and regulations, the localities all paid attention to helping enterprises establish and perfect various finance and accounting systems, thus integrating inspection with service and combining the treatment of symptoms with the curing of the disease. According to statistics on Shandong, the inspecting personnel made over 70,000 comments and suggestions of various kinds on reforming the relevant systems, so as to help enterprises achieve real management autonomy as delegated by the state, and to promote the transformation of enterprises' operating mechanisms.

The comrade in charge of the State Council office on grand tax, finance, and price inspection emphasizes that except for a few regions, the 1992 grand inspection is now basically concluded, but that there is still a lot of follow-up work to do. According to the comrade, the localities and the government bodies concerned must ensure a good beginning as well as a good ending in making vigorous efforts and doing a good job in the following areas:

1) It is necessary to complete the task on focused inspections according to plans. It is necessary to closely inspect all the enterprises and units on the list of those to undergo focused inspection and no one should be left out.

2) It is necessary to do a good job regarding the changes in accounting records relating to, and collection of, the money involved in the violations of laws and regulations. Whether in cases of self-inspection or focused inspection, changes in accounting records should be made on the basis of facts and make-up payments should be made timely in regard to the money owed to the state as a result of various violations of laws and regulations. No unit or individual should, without approval, authorize the reduction in the amount of money to be paid back or the exemption from the obligation to pay back the money.

3) To deal with the problems revealed during the grand inspection, it is necessary to put forward comments and suggestions on perfecting financial laws and regulations of various categories, for the purpose of promoting the reform of the fiscal and taxation system and the development of the legal system governing the financial sector and the economy.

4) It is necessary to publicly expose and resolutely bring to light the cases of violation of laws and regulations which have seriously harmed the interests of the states and the people as revealed during the inspection.

Major Government Financial Distribution Changes

93CE0297A Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 12, 20 Dec 92 pp 33-36

[Article by Xing Guojun (6717 0948 6874), Industrial Economics Institute, Chinese Academy of Social Sciences: "Principal Changes in Government Financial Distributions and Economic Reform"]

[Text] As a major integral part of the national income distribution system, government financial distribution plays a major role in the readjustment of benefit relationships in all regards. In the wake of reform, some new situations and contradictions have appeared in material benefit distribution relationships, particularly in real government financial distribution relationships. This is manifested primarily in the following: a conflict between the distribution function and the macroeconomic regulation and control function of government finance per se; and a conflict between regulation of and participation in economic activity throughout society of government's financial distribution function. This

is a matter of fitting together the changes in government function with the intensification of reform. The disjunction stems from (1) government's fiscal distribution policy not being entirely rational, and also containing some impulse elements; and (2) in the economic life of society as a whole, there are some matters that government can control, and others that it cannot control. This is also true of government finance, which cannot include and replace all distribution forms. If the state financial distribution function is strong, government having a very great stake in economic activity throughout society, the role of distribution through business enterprises and market prices may be weakened. This may also be detrimental to an expansion of business enterprise property rights reforms, and it may also weaken the regulatory role of price distribution in markets. Furthermore, inasmuch as business enterprise distribution and price distribution are the foundation for government financial distribution, they are the objects of government financial distribution policy regulation and control. When the portion of business enterprise distribution and price distribution is very small and their role very weak, this is also detrimental to exercise of a macroeconomic regulation and control function through government financial distribution policy.

An analysis of the main changes in government financial distribution inevitably involves judgments about the degree of irrationality in government financial distribution. Whether the changes in government financial distribution are rational, and whether they are consistent with the intensification of reform are not matters that can be determined through subjective speculation; they must be validated objectively, and they must be fully understood and appreciated in terms of the main changes in government financial distribution

1. Changes in Government Financial Concentration Ratio and Financial Burden Ratio

The available amount of government financial distribution is generally expressed in terms of two indicators; the government financial concentration ratio and the government financial burden ratio. Changes in these two indicators denote changes in government financial distribution as a percentage of national income; thus, the so-called government financial concentration ratio is government financial income as a percentage of national income, and the so-called government financial burden ratio is government financial expenditures as a percentage of national income.

Table 1. Percentage Changes in Government Financial Concentration Ratios and Government Burden Ratios

Year	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Gov't Financial Concentration Ratio	32.93	29.43	27.65	26.40	26.37	26.57	26.59	28.76	25.44	22.39	22.37	22.96	22.40
Gov't Financial Burden Ratio	38.03	32.88	28.29	27.09	27.30	27.36	26.28	29.66	26.29	23.06	23.07	23.93	23.66

Source of Data: Extrapolation from 1992 and 1985 Chinese Statistical Yearbook

Table 1 shows changes in the government financial concentration ratio and the government financial burden ratio since reform. In the 13 years from the beginning of reform in 1979 to 1991, both the government financial concentration ratio and the government financial burden ratio showed a general yearly decline. During this period, national income increased nearly 4.8-fold, and government financial income and financial expenditures increased 3.27- and 2.99-fold respectively, a rate that was lower than the speed of increase in national income. These changes show the following: The role and position in the national income distribution system of government financial distributions, which serve as a means of concentrated state distribution, has gradually weakened, showing a relative decline in the amount of national income distributed through government financial channels. At a deeper level, this means that with the relative weakening of the government financial distribution function, both the portion of government financial concentration has declined, and the portion of government financial expenditures has also declined. Furthermore, the extent of decline in government financial expenditures has been greater than the extent of decline in government financial concentration. This also means a relative reduction of government financial burdens. Therefore, a change in the government financial distribution function in the course of reform does not pose very great difficulties, and it holds definite potential.

2. Changes in Expenditures for Main Cost Categories

Government financial distributions take the form of expenditures for various kinds of expenses as they relate to state functions. They consist largely of the following expense categories: economic construction expenses, cultural and education expenses, administrative expenses, national defense expenses, debt-servicing expenses and other expenses. Changes in this payment structure can provide a complete picture of government political and economic activity and of changes in government functions and scale of activities at different periods. See Table 2 for changes in payments for main cost categories since reform. The table shows that reform promoted changes in the government financial payments structure. Specifically, the enormous decline in the percentage of expenditures for economic construction reflects a weakening trend in the economic construction role of government financial distributions, resulting in a slight tilt toward consumer items in government financial distribution. Since government outlays for administrative expenses and cultural and educational expenses are largely outlays in the group consumption category, they increased to a greater or lesser extent as part of the changes. If the level and efficiency of accumulation increased and effectively suppressed group consumption in the course of reform, the government financial outlays burden also eased further.

Table 2. Percentage Changes in Make-up of Expenditures for Major Cost Categories

Year	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Economic Construction Costs	59.78	55.31	48.83	47.10	49.15	50.74	48.51	52.97	51.46	51.61	34.85	34.62	33.25
Cultural and Educational Expenses	13.75	16.41	18.97	21.07	21.86	21.47	22.14	20.81	20.56	21.47	19.83	19.48	18.57
National Defense Costs	17.48	15.98	15.06	15.30	13.70	11.69	10.38	8.61	8.56	8.07	8.27	8.41	8.66
Administrative Expenses	4.95	6.23	7.41	7.88	7.98	9.04	9.27	9.44	9.32	10.03	9.37	9.66	9.85

Note: Total government expenditures in any given year is 100; economic construction expenses for 1989 through 1991 do not include expenditures for state materials reserves. Data source: Extrapolations from 1992 *China Statistical Yearbook*.

3. Changes in Procurement Payments and Transfer Payments

In terms of economic character category, government financial distributions may be divided into procurement payments and transfer payments. Procurement payments means expenditures that government incurs in the purchase of commodities and labor in commodity and labor markets. The various outlays for economic construction and for cultural, educational, administrative, and national defense purposes are procurement payments. The result of this form of distribution is that all of the of the national product (including labor) that government commands and uses translates directly into purchasing power for the period, is a major integral part of total social demand, and directly affects the balance between total social supply and total social demand.

Transfer payments means financial payments that the government treasury makes without any corresponding gain of social product and labor services. Items in this payment category include all payments of a welfare character that government makes for social security, for relief, and for pensions and compensation, as well as all government subsidy and debt servicing payments. Changes in such distributions can affect redistribution of social income between urban and non-urban residents, and influence economic stability. Inasmuch as the social income that urban residents or non-urban residents receive through transfer payments is not necessarily used at once for the purchase of products or labor services, not all of it translates into purchasing power for a given period. Clearly changes in this distribution structure have an important effect on the balance between supply and demand and macroeconomic effectiveness. The are an expression of government financial distribution and socio-economic activity.

Table 3 shows a year-by-year trend toward decline in national treasury procurement expenditures as a percentage of total government financial expenditures, such expenditures declining 22.7 percent between 1979 and 1991. By contrast, transfer payments showed a rising trend. These changes show a relative decline in the purchasing power of

government expenditures, a reduction in government possession and consumption of social products and labor during the period, a weakening of influence on macroeconomic effectiveness, and a decline in direct participation and in the extent of participation of government financial distribution in socioeconomic activity.

Table 3. Changes in Ratio of Procurement Payments and Transfer Payments

Year	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Ratio of Procurement Payments	92.9	88.3	85.1	85.3	86.3	86.9	82.3	75.8	72.3	72.7	70.7	70.6	70.3
Ratio of Transfer Payments	7.1	11.7	14.9	14.7	13.7	13.1	17.7	24.2	28.7	28.3	29.3	29.4	29.7

Note: Total government financial expenditures for any given year are 100. Source of data: Extrapolation of 1992 *Chinese Statistical Yearbook*

4. Nature of Changes and Influencing Factors

An enormous amount of China's total national income is distributed through centralized government financial distribution and bank credit channels, as well as through decentralized business enterprise channels. Changes in the form of macroeconomic control and changes in government functions have produced changes in the government distribution system and structure. Their role in influencing operation of the economy has also changed greatly. To summarize the above, the main features of these changes are as follows: A change in concentrated state financial distributions serving as the main channel for the allocation of total national income, the dominant role of government financial distribution gradually weakening; a commensurate strengthening of credit distribution among state concentrated distribution channels; a relative weakening of the overall role of concentrated distribution, which has inevitably resulted in a corresponding strengthening of decentralized distribution, meaning a strengthening of the role of business enterprise distribution and price distribution. Consequently, the economic construction role of government financial distribution has gradually declined as part of the change in government financial distribution, and the participation and extent of participation of government financial distributions in overall socio-economic activities has diminished. These changed features mark a transformation of government functions. They are also consistent with the anticipated goals that economic reform is to attain, and they will lighten government treasury payment burdens in the course of reform.

These changes are the result of more than a decade of reform. Without doubt, they are correct, and they are necessary to the development of a market economy. The main reasons for these changes in government financial distribution are as follows: First is a rise in the level of enterprises' retained profits and a substantial rise in earnings of individual staff members and workers, which has increased decentralized business enterprise distributions resulting in a commensurate reduction in government financial distributions. Second is the greater role of

bank loan distribution, and a substantial rise in the amount of distribution. Increase in the distribution role of credit among the various concentrated state distribution channels also means a weakening of government financial distribution. Increase in bank sources of credit funds and credit income increases the portion of total national income allocation through credit. Third, is the fairly rapid rise in group consumption, which has resulted in a lowering of the accumulation rate in government financial payments, and a relative weakening of the role of government financial distribution in financial construction. Fourth, since reform, major readjustments have been made in the government financial distribution system, which have brought about changes in the government financial distribution system and structure. First was the substitution of tax payments for the surrender of profits, which resulted in changes in fiscal revenues. Second was the contracting system, which weakened the ability of government financial distributions to regulate and control the macroeconomy. Finally was reform of the finance and banking system, which widened the sphere of bank credit and liberalized the number of recipients to whom credit was extended for a corresponding widening of the recipients and scale of credit distribution.

5. Need for Changes in Government Financial Distributions To Correspond With Economic Reforms

Even though the trend of change is correct, this does not mean that the existing structure is in keeping with the intensification of reform. Judging whether results from changes in actual government financial distributions make sense is difficult inasmuch as reform socialism is in an exploratory stage for which there are no well-developed standards and theories based on experience. Furthermore, statistics from abroad do not apply to China in many ways; they lack comparable elements. Therefore, all that can be done is to make a judgment based on the relationship between the government financial distribution structure and economic reform realities.

A realistic appraisal of changes in government financial distribution is also a perception of changes in the government financial distribution system. First of all, a correct perception and evaluation of the thought behind reform of the government distribution system must be made. The fundamental concern in past government financial distribution system reform was how to control and run government financial distribution, and what should be controlled. Proposing a reform policy, reform goals, and specific operating methods on the basis of such a line of thinking meant that the goals to be attained could only be changes in the form of national government expenditures, which is to say changing the ratio and the amount of the items making up government financial payments. Such a reform could not produce a change in the government financial distribution function, and its role in effectively regulating and controlling the macroeconomy. Therefore, the new line of reform thinking should be as follows: Government control actions are not omnipotent, nor are government financial distribution policies completely rational; although readjustment of the government financial distribution system can solve some problems, there are numerous distribution problems that it cannot solve. The answer of the new line of thinking should be that government should not have a hand in anything. At this rate, government financial distributions cannot solve any problems. We feel that when conditions are such that the government control function changes, the government financial distribution function should change, and its regulation and control function should be properly enhanced. The problems that government financial distribution cannot solve should be turned over to market regulation style price distribution or to paid for credit distribution or decentralized business enterprise distribution.

In view of the need to change business enterprises operating mechanisms, government distribution reform policy should be: further reduction of the rate to which the distribution is concentrated in government and the rate to which the government bears the distribution burden as a means of providing business enterprises with greater decision making authority over distributions; further weakening of the function of government financial distributions in economic construction, reducing the percentage of government payments for economic construction while maintaining a certain modest scale of such payments; further reduction of the percentage of government treasury payments for procurement reducing the amount and the degree of direct government participation in economic activity in order to exercise effective control over increase in group consumption. On the basis of these ideas, China's existing government financial distribution system is not consistent with economic reforms.

First, government's financial outlays for economic construction continue to appear somewhat excessive. They are not consistent with business enterprises making their own decisions about distributions that the intensification of reform calls for. This shows up primarily in

government outlays for economic construction among financial distributions being far higher than enterprises' capacity to accumulate their own funds, thereby showing that business enterprises' real assets distribution use rights are very small. In 1990, the maximum level of retained enterprise profits was 22.416 billion yuan, while during the same year government financial outlays for economic construction totaled 119.529 billion yuan. Even were all enterprise retained profits for that year spent on accumulations to be used for productive construction, they would still amount to less than one-fifth the state outlays for economic construction. Enterprises' own development capabilities seem extremely minuscule by comparison with the scale of state-financed economic construction. Such minuscule enterprise assets distribution use rights is a long way from the goal of enterprises making decisions about their own distributions.

Second, the percentage of procurement payments in government financial distributions remains fairly large, showing that the degree of direct government participation in economic activities is very great, which is not in keeping with the objectives of actual state macroeconomic reform. In 1979, government procurement payments in China amounted to 35.3 percent of gross national income. In 1990, the percentage used for this purpose was 16.88, an 18.7 percent decline. The percentage of government financial distributions used for procurement payments fell from 92.9 percent in 1979 to 70.6 percent in 1990 for a total 22.3 percent decline. Included in this is the effect of a drop in the government financial burden rate. In the course of 13 years of reform, the government financial burden rate fell 13 percent. After eliminating the effects of a decline in the government financial burden rate, the decline in the actual scale of procurement payments was not great. Government financial procurement payments remain one of the important components of total social demand today. The scale of government direct participation in economic activity remains very high. Whether government can effectively regulate and control its own behavior is still a difficult to answer question. However, one point is certain, and that is that so long as its participation in economic activity is excessive, its regulation and control performance will remain poor.

Third, the role of government financial distribution is too strong; it is not in keeping with reforms to change governments' functions. Specifically, unless the government financial concentration rate and burden rate decrease suitably, government's economic construction function or degree of direct participation in economic activity will be too high. As a result, it will be unable to discharge effectively its macroeconomic regulation and control functions. This will become a major obstacle inhibiting the intensification of reform. Analysis of actual events today shows government distributions rank first as a percentage of total allocation of national income, somewhat higher than credit distribution, and more than enterprise distribution. Requiring absolute balance in the percentages of the several major distribution systems is not possible; however, the economic

reform goal model requires that the percentage of credit distribution should be relatively larger than the others, and the percentage of government financial distributions should generally be on a par with the percentage of enterprise distribution, and used to ensure realization of a pattern in which enterprises make their own distribution decisions. This is required by reforms in order to transform business enterprise operating mechanisms and transform government functions.

July 1992.

Industrial, Commercial Tax Revenue Up 11.1 Percent

93CE0333A Beijing ZHONGGUO SHUIWU BAO
in Chinese 4 Feb 93 p 1

[Report by Wen Min and Hai Jian: "In 1992 National Industrial, Commercial Tax Revenue Greatly Exceeded Targets, With Forty-One Units Under Examination on Plan Implementation All Producing Good Results"]

[Text] Last year, China made prominent achievements with regard to industrial and commercial tax revenue. Nationwide, forty-one units under examination on plan implementation rather successfully fulfilled the examination-related plans, thereby delivering an all-round good result. Nationwide, the industrial and commercial tax revenue amounted to 260.1 billion yuan, an increase of 26.7 billion yuan, or 11.1 percent, over 1991; the amount of 260.1 yuan was 9.7 billion yuan higher than projected in the plan made at the beginning of 1992, thereby making 1992, among the recent years, the year with the largest amount of tax revenue exceeding the plan targets.

According to analysis, the national situation regarding industrial and commercial tax revenue has the following features:

First, the high-rate growth of the national economy brought about an expansion of the tax base:

- The fast growth of industrial production stimulated the increase of industrial tax revenue. Helped by the large increases in fixed-asset investment, some important tax sources, such as steel billets and other steel products, machine tools and machinery, and building materials, saw large increases in sales, resulting in a rapid increase in tax revenue which grew by 31.7 percent, 25.6 percent and 28.5 percent respectively over 1991. The three categories of products altogether engendered 5.7 billion yuan in increased revenue, accounting for 60.6 percent of the increase in the industrial production and industrial growth tax revenue.
- Commerce, service industries, and financial and insurance industries achieved steady development, which brought about increases in business tax revenue. The business tax revenue for last year amounted to 65.8 billion yuan, representing an increase of 9.5 billion yuan, or 16.8 percent, over 1991 and

accounting for 35.6 percent of the increase in production, growth and business tax revenue. And, the increases in production, growth and business tax revenue accounted for over 70 percent of the increase in industrial and commercial tax revenue for 1992; in this way, the intermediate-phase taxes fully played their role as the main taxes.

- Foreign-funded enterprises achieved rapid development, resulting in fast growth of tax revenue involving foreign entities. Nationwide over 40,000 foreign-investment projects were approved last year, containing agreements on the use of foreign funds in the amount of US\$45.9 billion. With the rapid development of foreign-funded enterprises, tax revenue involving foreign entities also increased rapidly. Last year the tax revenue involving foreign entities amounted to 10.7 billion yuan, an increase of 3.7 billion yuan, or 52.3 percent, over 1991.

Second, tax authorities at all levels enhanced their tax collection and management, and adopted various effective measures in an energetic effort to engender revenue:

They conscientiously publicized and implemented the Tax Collection and Management Law, and enhanced their tax collection and management work, thereby not only promoting the growth of tax revenue but also making the law-guided tax work enter a new stage.

They did a good job of collecting, managing, and conducting examination on individual taxes and individual income adjustment taxes, enhanced the work on keeping tax revenue records, and made efforts to look for those who had not been brought under the purview of the tax authorities, so as to achieve sound control over tax revenue and ensure increases in the individual and individual income tax revenue. Last year the individual tax revenue amounted to 20.3 billion yuan, representing an increase of 2.9 billion yuan, or 16.9 percent, over 1991; the individual income adjustment tax revenue amounted to 930 million yuan, representing an increase of 36.8 percent over 1991.

They made energetic efforts to clean up the back tax that enterprises accumulated. Local tax authorities conscientiously implemented the policies enunciated in the circular issued by the State Council and the State Taxation Bureau, by adopting various measures, and achieved tight control over the situation regarding back tax. Last year the amount of back tax relating to industrial and commercial taxes came down to 5.5 billion yuan, representing a decrease of 8.4 percent.

They persisted in conducting analysis and did a good investigation and research job, thereby enhancing the guidance for the revenue-engendering work. In order to support the reforms and to ensure revenue increase, the tax authorities at all levels carried out energetic and effective work on engendering revenue, and provided timely reports on, and solutions to, many problems affecting the growth of tax revenue.

In addition, in 1992 the tax authorities also gave 27.6 billion yuan in refunds involving exports, thereby providing effective support for the development of foreign-funded enterprises.

INDUSTRY

Journal on Development of Tertiary Industry

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No 12, 20 Dec 92 pp 3-11

[Article by Liu Wei (0491 0251) of the Department of Economics, Beijing University, and Yang Yunlong (2799 0061 7893) of the China Trust Institute of International Economics; edited by Hong Liang (1347 0081): "Industrialization and Marketization: Dual Historic Missions of the Development of China's Tertiary Industry"; dated November 1992]

[Text] The development of tertiary industry constitutes an important part of the logical course of the history of economic development. In order to understand the historic mission of the development of China's tertiary industry and grasp the focal point of policy decisions for its development, we must first of all find out what stage in the logical course of history we have now reached in economic development, and find out the social and historical requirements of this stage for the development of tertiary industry, analyze the historical conditions for developing tertiary industry at this stage, understand the constraints of these historical requirements and conditions on the development of tertiary industry, and work out principles and policies for the development of China's tertiary industry against these constraints.

I. The Historical Logic of Economic Growth and the Historical Space for the Development of China's Tertiary Industry

1. The growth level of China's tertiary industry and various stages of China's economic development.

The concept of tertiary industry was first put forward as a category of economic history in Western economics. In his 1935 book entitled "The Clash between Security and Progress," A.G.B. Fisher divided the history of economic growth into three progressive stages on the basis of the industrial structural characteristics in the evolution of the economic history of developed countries. With this came

the notions of primary, secondary and tertiary industries which dominate the three successive stages. Thus, the classification of primary, secondary and tertiary industries represents some kind of logical demarcation in the orderly evolution of economic history. (Footnote 1) (Unlike the ordinal numbers "first," "second" and "third," the notions of "primary," "secondary" and "tertiary" referred to in this article denote levels of logical progression. Strictly speaking, the notion of "tertiary industry" is not to be equated with "the third industry.") When people subsequently take the level of tertiary industry development as an indication of a country's economic growth, they are talking about the qualitative growth of an economy, that is, the degree of development of non-agricultural occupations and the degree of post-industrialization, from the historical plane of the evolution of the industrial structure. The structural significance of the development of tertiary industry and the phasal nature of economic development are closely related.

Can we tell what historical period we have reached in our economic growth from the level of development of our tertiary industry and the structural relations between primary, secondary and tertiary industries? Let us look into this question from the perspectives of the output value and employment structures (see Table 1).

On the whole, China's tertiary industry accounts for more than a quarter of output value and just below one-fifth of employment in the 1990's. A horizontal comparison with international figures shows that China has reached the structural level of low-income countries in the early 1980's (see Table 2).

From a comparison between Tables 1 and 2, we can see that the structural level of China's tertiary industry is well below that of the developed countries, with output value and employment shares lagging by 32.8 and 37.4 percentage points respectively. Compared with lower-middle-income countries (per capita GNP at \$750), output value and employment shares are still trailing by 15.8 and 10.4 percentage points respectively. Coming closest to our structural level is the average structural value of the 28 low-income countries and regions (per capita GNP at \$280). Tertiary industry has a 27.2 percent share of output value in China and a 29 percent share in the low-income countries, while its employment share is 18.6 percent in China and 15 percent in the low-income countries. This shows that the structural level of China's tertiary industry corresponds to that of the low-income countries in the early 1980's.

Table 1: The Structure of the Distribution of China's Primary, Secondary and Tertiary Industries

	Share in GNP (%)			Share in Employment (%)		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
1978	28.4	48.6	23.0	70.5	17.4	12.1
1980	30.4	49.0	20.6	68.7	18.3	13.0
1985	29.7	45.2	24.8	62.4	20.9	16.7
1990	28.4	44.3	27.2	60.0	21.4	18.6

Source: China Statistical Yearbook 1991, China Statistical Publishing House, pp 24, 99

Table 2: The Structure of Distribution of Primary, Secondary and Tertiary Industries in Countries (Regions) at Different Development Levels in 1981

Grouping According to Development Level	Number of Countries in Each Group			Per-capita GNP (\$)		
Low-income	28			280		
Lower-middle-income	29			750		
Upper-middle-income	16			2,050		
Developed countries	14			11,060		
Grouping according to Development Level	Share in GNP (%)			Share in Employment (%)		
	Primary	Secondary	Tertiary	Primary	Secondary	Tertiary
Low-income	37	34	29	72	13	15
Lower-middle-income	22	35	43	54	17	29
Upper-middle-income	10	39	51	30	28	42
Developed countries	3	36	61	6	38	56

Source: World Bank: "World Development Report 1983" and "World Development Report 1985," Chinese translations, China Financial and Economic Publishing House.

To what period in the economic history of the developed countries does this structural level correspond? To answer this question, we have made a comparison between China and Japan, inputting the structural data on primary, secondary and tertiary industries in the history of Japan and the structural data on primary, secondary and tertiary industries in China into the structural similarity coefficient equation. (Footnote 2) (The coefficient of structural similarity is $S_{ij} = (\Sigma_n X_{in}X_{jn}) / (\Sigma_n X_{in}^2 \Sigma_n X_{jn}^2)^{1/2}$, where S_{ij} is the coefficient of similarity between two structures (i and j). The closer the value of this coefficient approaches 1, the greater the similarity between these two structures; X_{in} is the share of sector n in structure i, while X_{jn} is the share of sector n in structure j.) The result of computation shows that the present level of our industrial structure is close to that of the period of accelerated industrialization in Japan between the second and fourth decades of the century. The coefficient of similarity between the output value structure of China's primary, secondary and tertiary industries in 1952 and that of Japan's in 1895 is 0.9146. The coefficient of similarity between the output value structure of China's primary, secondary and tertiary industries in 1990 and that of Japan's in 1925 is 0.9266. The coefficient of similarity between the employment structure of China's primary, secondary and tertiary industries in 1952 and that of Japan's in 1872 is 0.9995, while the coefficient of similarity between the employment structure of China's primary, secondary and tertiary industries in 1990 and that of Japan's in 1920 is 0.9547. The fact that the S_{ij} between China at the present stage and Japan in the 1920's is over 0.9 both in terms of output value structure and employment structure indicates that the structural evolution of the Chinese economy has entered a historical period corresponding to the end of the first phase of industrialization and the beginning of the phase of accelerated industrialization in the history of the developed countries. (Footnote 3) (Compared with the United States, Great Britain, France and Germany, the structural condition of China's primary, secondary and tertiary industries at the present stage is also similar to the

structural level of these countries during the period of accelerated industrialization. Due to discrepancies in natural time in the industrialization process of these developed countries, the point in natural historical time that China at the present stage corresponds to regarding these countries also differs. In the logical process of economic history, however, we are close to their structural condition during the period of accelerated industrialization. For specific comparisons, please refer to Liu Wei and Yang Yunlong: "An Analysis of China's Industrial Economy," China International Broadcasting Publishing House, 1987, Chapter 2.)

2. The historical determinant of the period of accelerated industrialization on the development of tertiary industry.

In terms of structural level, China is now in the period of accelerated industrialization, that is, a period in which the rapid development of the manufacturing sector has brought about drastic changes in the industrial structure as a whole. In terms of development objectives, using per-capita GNP as an indicator, we are now heading from \$500 to \$1,000. It must be pointed out in particular that the logical advance from primary to secondary industry and then to tertiary industry in the economic history of all developed countries is primarily a phenomenon of economic growth that does not involve too much change in economic types or economic structures. For present-day developing countries, including China, the task after completing the historic mission of industrialization is not merely the transformation of industrial structure, but involves the transformation of economic development types and economic structures as well. With two historic missions falling into the same historical space, the development of tertiary industry not only holds significance for economic growth but is of historical significance to the reform of economic types and structures. In other words, the development of tertiary industry under these kind of historical conditions is not only subject to the logical determinant of the economic

growth stage, but also subject to the historical determinant of the growth of market mechanism, because tertiary industry largely evolves around market mechanism and the provision of market services to society. Thus, we must observe the historical space of the development of China's tertiary industry at the present stage from the phasal nature of the structural evolution of economic development and the historical requirements of the growth of market economic mechanism.

First, the historical determinant of economic growth during the period of accelerated industrialization on the development of tertiary industry.

This historical determinant mainly comes from our summary of the economic history of developed nations and from our structural analysis of developed and underdeveloped economies. This historical determinant mainly finds expression in two characteristic features in the structural changes of tertiary industry.

On the one hand, during the period of accelerated industrialization, a major feature of structural transformation in primary, secondary, and tertiary industries is the rapid expansion of the share of secondary industry. By comparison, the extent and rate of increase in the share of tertiary industry during this period seem rather insignificant. Based on statistics taken from 59 countries of different types, Simon Kuznets studied the characteristic features of structural changes in primary, secondary, and tertiary industries when per capita GNP was between \$500 and \$1,000 (1958 dollars). He discovered that as primary industry declined at an accelerated rate in this period, the share of employment in secondary industry rose by 375 percent, while that of tertiary industry only rose by 277.8 percent, a difference of nearly 100 percentage points. In terms of output value, the share of secondary industry rose by 171.35 percent, while that of tertiary industry only rose by 45.52 percent, a difference of more than three times. (Footnote 4) (See Simon Kuznets: *Economic Growth of Nations*, Chinese translation, Commercial Press, 1985, pp 111, 120) On the basis of Kuznets' study, Hollis Chenery and others further divided the process of development from a developing economy into a developed economy into six periods. They used the method of multisectoral regression analysis to explain Leontief's input-output system on the basis of World Bank statistics, and established the cross-country (standard) model of industrialization, showing systematically the law governing the structural transformation in primary, secondary and tertiary industry during the industrialization process. They discovered that in the stage of development when per-capita GNP was between \$140 and \$2,100 (1970 dollars) (the first four of the six periods broken down by Chenery), the share of per capita national income generated by secondary industry in aggregate per capita national income rose by 21 percentage points from 15 percent to 36 percent. During the same period, the share of per capita national income generated by tertiary industry in aggregate per capita national income only rose by three

percentage points from 36 percent to 39 percent. Calculated at constant prices, the share of tertiary industry practically remained unchanged. (Footnote 5) (See Hollis Chenery: "Industrialization and Growth: A Comparative Study," Chinese translation, Shanghai Joint Publishing House, 1989, pp 56-78) In terms of economic growth alone, or seen simply from the history of economic growth of the developed countries without any reference to structural factors, the growth rate of tertiary industry exceeding that of secondary industry is a feature of the commencement of elementary industrialization, not a feature of industrialization. The World Bank statistics show that it is only when benchmark per-capita GNP is set at \$1,000 for the 1950's, \$3,000 for the 1970's and \$7,000 for the 1980's that the share of secondary industry is seen to show a rising and then falling trend, while tertiary industry begins to overtake secondary industry in terms of growth rate, and the gap between the two begins to narrow. (Footnote 6) (See World Bank: "World Development Report 1987," Chinese translation, China Financial and Economic Publishing House, pp 46-51).

On the other hand, during the period of accelerated industrialization, not only does the share of tertiary industry show little change, but the change in percentage also has little effect on economic growth compared with that of secondary industry. Kuznets used the E value, which measures the elasticity of response of the output of a sector, to calculate the different effects of structural changes in different industrial sectors on economic growth. (Footnote 7) (In the equation, sectoral response elasticity value $E_i = a_i + [(a_i - 1)/r]$ ($i = 1, 2, 3 \dots n$), E_i is the sectoral response elasticity value of sector i , a_i is the ratio of the sector's share at the end of the interval to its share at the beginning of the interval, and r is the fraction by which per capita GDP increases over the interval. (See Kuznets, 1985, pp 118-119) When relevant statistics of 57 countries are inserted into this equation, the sectoral response elasticity values obtained are as follows: When per capita GDP is between \$70 and \$300, the sectoral response elasticity values for the three major sectors are 0.56, 1.37 and 1.21 respectively, and when per capita GDP is between \$300 and \$1,000, the sectoral response elasticity values for the three major sectors are 0.30, 1.36 and 0.98 respectively. Thus, for the entire process of development during per capita GDP increasing from \$70 to \$1,000, the sectoral response elasticity values for the three major sectors are 0.44, 1.36 and 1.11 respectively. It is quite obvious that secondary industry has the largest sectoral response elasticity value during this process. As the meaning of sectoral response elasticity value implies, the greater the value, the greater the effect of changes in the share of that sector on aggregate growth. Thus, during the period of development between \$300 and \$1,000, the effect of the increase in the share of secondary industry on increase in the rate of economic growth is most obvious, and by comparison changes in the share of tertiary industry have little effect on the rate of economic growth. On the basis of static cross-country comparisons, Chenery and

others applied the basic neo-classical equation for growth in calculating the growth rates for each sector, and then worked out the aggregate economic growth rate from the weighted average of sectoral growth rates. Using World Bank statistics, they then worked out the average values of sectoral contributions to growth in different types of countries, and applied these average values to make a dynamic analysis of economic development and see how the growth of various sectors changes with the evolution of structural level. They divided the process of industrial structural changes into three stages: During the first stage (before per-capita GNP reaches \$400), economic growth is mainly sustained by primary industry and traditional tertiary industry, and changes in the shares of these two sectors have a significant role to play in economic growth as a whole. During the second stage (when per-capita GNP is between \$400 and \$2,100), economic growth is mainly sustained by the rapidly growing secondary industry, and expansion in the share of the manufacturing sector plays a most notable and ever more important role in economic growth. During this period, contributions of tertiary industry first increase, but after per capita GNP reaches \$560, contributions of increases in the share of the service sector to economic growth will grind to a halt and even decline. During the third stage (with per capita GNP exceeding \$2,100), or the stage of the developed economy, contributions of increases in the share of tertiary industry to aggregate growth steadily grow and the economic structure as a whole begins to show characteristics of post-industrialization. (Footnote 8) (See Chenery et al, 1989, pp 52, 93-98)

The two characteristics discussed above make it quite clear that, seen purely from the phasal nature of economic growth, the evolution of the industrial structure during the period of accelerated industrialization mainly finds expression in the increasing share of secondary industry. Tertiary industry is, relative to secondary industry, less important both in terms of increases in structural shares and in terms of structural results, that is, the contributions of an increase in share to aggregate economic growth. The expansion of tertiary industry must be based on the growth of secondary industry. Tertiary industry cannot take over the leading position of secondary industry either in terms of existing structural share or the rate of increase during the period of accelerated industrialization.

Second, the historical determinant of the process of marketization during the period of accelerated industrialization on the development of tertiary industry.

The historic mission confronting present-day developing countries that have yet to complete their industrialization does not simply involve economic growth which has the promotion of structural transformation as its hallmark. To realize economic growth, present-day developing countries also have the task of transforming the modes of economic development, that is, establishing a market economic structure. The historical requirement of this kind of dual transformation makes it impossible

for developing countries to simply follow the logic of the historical evolution of the developed economies in their development of tertiary industry during the period of accelerated industrialization. This is of particular importance to a country like China, which is now in a period of accelerated industrialization and in the process of transition from a centralized planned structure to a socialist market economic structure.

Most developed countries first went through the commercial revolution in their economic history. After achieving marketization, they launched the industrial revolution on the basis of the market economic structure, so that the industrialization process and the development of tertiary industry could find concentrated expression in marketized economic growth. The development of tertiary industry was mainly determined by the logic of economic growth itself. During the period of accelerated industrialization, in particular, the development of tertiary industry in the developed countries was basically not affected by structural changes. In the history of the developed countries, the share of tertiary industry in per capita national income, calculated at constant prices, remained practically unchanged throughout the period of accelerated industrialization. Unlike the significant changes in the share of secondary industry, it only showed a very slight rise in structural position. On the one hand, this was governed by the intrinsic logic of the industrial structural transformation during the period of accelerated industrialization. On the other hand, as shown in the history of those capitalist developed countries which had completed the commercial revolution and were preparing for the industrial revolution, even before the commencement of the period of accelerated industrialization, the development of tertiary industry had already reached a given level following the completion of the commercial revolution. In other words, the tertiary sectors which centered around the establishment of the market structure and the provision of commercial market services had already been established. As contributions of institutional innovations to economic growth declined in importance, contributions of expanded shares of the tertiary sectors, which were necessary for institutional innovation, to economic growth also became less significant. The truth is, in economic development today, no industry has as direct and as close a relationship with the growth of the market mechanism as that between the development of tertiary industry and marketization. To a large extent, the development of tertiary industry directly serves the growth of the market mechanism and the development of primary and secondary industries. Market services for the whole society, including finance, legal counseling, commerce, insurance, information, posts and telecommunications, communications, and transportation, are the hardware and software that directly constitute the market mechanism. According to the regression analysis of Chenery and others, during the process of development by which per-capita national income grew from \$140 to \$2,100, there were changes in the shares which the three major sectors contributed to per capita national income. The

share contributed by secondary industry grew most swiftly, with a rise of 21 percentage points, while the share contributed by tertiary industry only grew by three percentage points. However, at the beginning of this process, that is, at the \$140 level, tertiary industry accounted for 36 percent of per-capita national income, 21 percentage points more than the share contributed by secondary industry (at this point in time secondary industry accounted for 15 percent of per capita national income). At the end of this process, that is, at the \$2,100 level, the share contributed by secondary industry to per capita national income increased by 21 percentage points from 15 percent to 36 percent. Although secondary industry outperformed the other two sectors in terms of the rate of increase, in real percentage terms, its share was still below that contributed by tertiary industry (which stood at 39 percent at that time). (Footnote 9) (See Chenery et al, 1989, pp 56-78) In Kuznets' analysis of sectoral response elasticity values, secondary industry showed the greatest elasticity value during the period of accelerated industrialization (with per capita GDP between \$300 and \$1,000), leading that of tertiary industry by 0.38, indicating that during this period an increase in the share of secondary industry had a most notable effect on economic growth. However, before reaching \$300, that is, when per capita GDP was between \$70 and \$300, the difference between the values of elasticity of response for tertiary and secondary industries was only 0.26, suggesting that prior to the period of accelerated industrialization, the gap between the contribution of an increase in the share of tertiary industry to economic growth and that of secondary industry was obviously smaller than after the period of accelerated industrialization. We can thus see that in the history of development of the developed countries, both the structural share of tertiary industry and the structural results of an increase in the share of tertiary industry had reached a given level prior to the period of accelerated industrialization, and the arrival of this level was historically linked with the commercial revolution and the establishment of market mechanism. After entering the period of accelerated industrialization, the expansion of tertiary industry came more in direct response to the demands of economic growth than in response to the demands of structural transformation, hence the shares of each sector appeared very stable, even static.

Most developing countries that had not completed their industrialization also had not completed their marketization. China is a typical example. Thus, the development of tertiary industry not only must conform to the conditions governing the development of industrialization, but must conform to the requirements of structural transformation for marketization. This is the basic historical condition confronting China in its expansion of tertiary industry at the present stage.

II. The Simultaneous Promotion of Industrialization and Marketization Is the Basic Historic Mission and Policy Premise for the Development of Tertiary Industry at the Present Stage

1. We should soberly recognize the special historic significance of the development of China's tertiary industry at the present stage.

This special historic significance finds concentrated expression in the significance of economic development and the significance of structural transformation.

In so far as the significance of the development of tertiary industry for economic development at the present stage is concerned, we should at least bear in mind the following three points: First, we should see that in the period of accelerated industrialization, growth of the national economy as a whole mainly depends on the expansion of secondary industry, that tertiary industry cannot take over the structural place of secondary industry. Thus, from the perspective of the historical logic of structural transformation in the three major sectors during the period of accelerated industrialization, expansions in the supply capability of tertiary industry and increases in people's expectations for tertiary industry both depend to a large extent on the development and degree of maturity of secondary industry. Thus, the accelerated development of tertiary industry at the present stage can only take the degree of industrialization already achieved as its basis. Moreover, our primary objective in accelerating the development of tertiary industry should be to accelerate the realization of industrialization. We cannot go beyond the degree of industrialization in going after the industrial structural features of a post-industrialized society. Even if we take into account the demands of dual structural transformation on tertiary industry, this basic logic for development should still stand. Second, we should see that at the present stage, the development of our tertiary industry is lagging behind the progress achieved in industrialization. In other words, it does not meet the needs of the stage of economic growth we have reached. This not only finds direct expression in the fact that tertiary industry fails to meet the requirements of economic development both in terms of aggregates and structure and has become a "bottleneck," but in the fact that our tertiary industry is seriously underdeveloped compared with the majority of countries in the present-day world, even compared with countries at more or less the same development level as China. In the early 1990's, China's tertiary industry has a 27 percent share in GNP (27.2 percent in 1990 and 26.8 percent in 1991). In 1989, the share of tertiary industry in GNP in 40 low-income countries averaged 39 percent, 12 percentage points above ours, while the share of tertiary industry in GNP in 58 middle-income countries was 50 percent, 23 percentage points above ours. (Footnote 10) (See World Bank: "World Development Report 1991," Chinese translation, China Financial and Economic Publishing House, pp 208-209) If, according to World Bank classifications, we take \$280 per capita as the benchmark for low-income countries and \$750 per capita as the benchmark for lower- middle-income countries, we should say that China has at least surpassed the economic development level of low-income countries (however, considering the actual purchasing power of the renminbi and discrepancies in exchange rate conversions, China's GNP is probably approaching the level of lower-middle-income countries), although the share of tertiary industry is well

below that of the low-income countries. Even if we have achieved a per capita GNP level of \$1,000 and realized the planned objective for the development of tertiary industry by the end of this century, its output value will only have a one-third share in GNP, still below the average level for low-income countries in 1989, not to mention that for middle-income countries in 1989. Thus, at least before the year 2000, the failure of the share of China's tertiary industry to meet the needs of development will mainly stem from the fact that it is lagging behind the stage of economic growth, not because it exceeds the stage of economic growth. Third, the development of tertiary industry is of special significance to a country with a large population like ours. Total employment intake and structural transformation are no doubt important issues in China's economic development. As industrialization accelerates, the number of agricultural laborers made idle gradually increases and the problems of a growing rural population and the shortage of funds for industrial development are escalating. Hence, the development of tertiary industry has an important role to play in the solution of the employment problem. Seen in terms of its development characteristics during the period of accelerated industrialization, tertiary industry can indeed increase its intake of labor through sectoral development and sectoral results. According to the analysis of World Bank statistics by Chenery and others, if a 6.3 percent annual economic growth rate is maintained when per-capita national income is between \$560 and \$1,120, then 21 percent of this increase will come from the growth of the labor force. Arranged in the order of contributions of growth of the labor force to growth of the three major sectors, tertiary industry comes first. Arranged in the order of contributions of capital and total factor productivity growth to the growth of the three major sectors, tertiary industry also comes first. In other words, a breakdown of the sources of growth shows that during the period of accelerated industrialization, the development of secondary industry mainly depends on an increase in capital input and total factor productivity, while the development of tertiary industry primarily depends on the growth of the labor force. (Footnote 11) (See Chenery et al, 1989, p 52)

The significance of the development of China's tertiary industry at the present stage to the growth of the market economic structure covers at least the following two aspects: First, tertiary industry is a burgeoning industry. As such, it may choose a form different from the traditional mode as its basis of property rights. We may say that its basis of property rights can better adapt to the demands of the socialist market economic structure on the property system. The reason is that as a burgeoning industry, or an industry that has developed in the course of structural transformation, traditional property rights relations are not very pronounced. Hence, the reproduction of traditional modes of production is not obvious in the expansion of tertiary industry. On the other hand, if we look at the organizational characteristics of tertiary industry, we will notice that its scale of operation ranges

from small to big and that its degree of technicality ranges from simple to sophisticated. Its diversity objectively requires a diversification in property rights relations and the establishment of an ownership structure with public ownership playing a dominant role and diverse economic sectors existing side by side. China's tertiary industry has been on the decline since the founding of the People's Republic. For example, the share of output value of tertiary industry was smaller in the 1960's than in the 1950's. This has a lot to do with our one-sided pursuit of an ownership structure which is based on collectivization and public ownership alone. An important reason for the more rapid development of tertiary industry in recent years is that more diversified forms of property rights have been adopted. Second, in many tertiary sectors, enterprises have sprung up and developed because of the market mechanism. An important motivating force for the development of tertiary industry is to provide market services to other industries and to society as a whole. Thus, in the historical unity of the growth of the socialist market economic structure and the process of industrialization and modernization, the development of tertiary industry has a direct role to play in market formation and in the realization of the aims of structural reform.

2. In order to realize the dual historical objectives of industrialization and marketization through the development of tertiary industry, we not only need policies for the aggregate development of tertiary industry but also need policies for its structural development.

As far as policies for the aggregate development of tertiary industry are concerned, an important task at the present stage is to grasp the following two issues: First, we must grasp the internal logic of the evolution of the industrial structure during the stage of accelerated industrialization, and make sure that the development of tertiary industry can proceed from a basis made possible by the development of primary and secondary industries and that the supply capability of tertiary industry can effectively meet the demands of the period of accelerated industrialization on tertiary industry. Second, we must grasp the gap on the qualitative level between the development of China's tertiary industry at the present stage and the development of China's economy, making sure that its share at least reaches the same level as that in countries of roughly the same development level as China.

As far as policies for the structural development of China's tertiary industry are concerned, we must try to overcome the structural drawbacks of tertiary industry as quickly as possible, readjust the internal structure of tertiary industry in accordance with development and structural needs and, through aggregate growth and structural readjustment, see to it that the development of tertiary industry can play the historical role of unifying industrialization and marketization.

In 1985, the State Statistical Bureau began to classify industrial sectors according to primary, secondary, and

tertiary industries. Tertiary industry is divided into two major sectors and four levels. The two major sectors are the circulation and service sectors. As for the four levels, level one refers to the circulation category, and includes communications and transportation, posts and telecommunications, commerce and catering, material supply and marketing, and storage; level two refers to the production and livelihood service category, and includes finance, insurance, real estate, geological survey, public utilities, services for residents, tourism, counseling and information service, and technical service; level three refers to services aimed at raising the scientific and cultural level and the quality of residents, and includes education, culture, broadcasting and television, scientific research, public health, sports and social welfare; and level four refers to services needed by the public, and includes state organs, party and government organs, social organizations, the armed forces and the police force.

Structurally, the first three of the four levels of tertiary industry discussed above are underdeveloped, while level four is over-expanded. In Table 3, we have made a structural analysis of some of the more representative sectors of the four levels of tertiary industry.

From Table 3, we can see two characteristic features from the sectors selected from the four levels of China's tertiary industry. First, seen from the structure of these seven sectors, we can see that in terms of the share of employment, commerce, catering, material supply and marketing, and storage have the largest share (13 percent); followed by education, literature and art, broadcasting and television (8.1 percent); party and government organs and social organizations (6.7 percent); communications and transportation, posts and telecommunications (5.6 percent); real estate, public utilities, services for residents and counseling services (2.9 percent); finance and insurance (1.4 percent); and scientific research and comprehensive technical services (1.1 percent). This shows that in China's tertiary industry, scientific research, comprehensive technical service, counseling services, as well as finance and insurance, which represent the direction for the structural improvement of modern industry and the requirements for the growth of market mechanism, only account for a very small share of employment. It is mainly the conventional and traditional commercial and circulation sectors that account for the larger shares.

Second, seen from the rate of growth in the share of employment in the seven sectors of tertiary industry between 1978 and 1991, the sector that showed the fastest increase in structural share is the one constituted by state organs, party and government organs and social organizations, which gained 2.2 percentage points between 1978 and 1991, accounting for 5.8 percent and 37.93 percent respectively of the aggregate increase in the share of employment in the seven new sectors. By comparison, the share taken up by communications, transportation and posts and telecommunications, which have a key role to play in the operation of the economy as a whole and in the upgrading and evolution of the industrial structure, dropped by 1.3 percentage points during this period. Compared with international experience, communications, transportation, and posts and telecommunications were pioneer capital industries that led the way of development in the developed countries; they are also the basic material conditions for the realization of marketization in the developing countries, with a leading coefficient of 0.1-0.8. It is quite the opposite case in China. Between the years 1978 and 1991, the growth index of China's GNP, calculated at comparable prices, was 297.2. During the same period, the growth index of China's transportation mileage, including railroads, highways and civil aviation lines, was only 200.83, while the growth index of post and telecommunication routes was only 102.29. (Footnote 12) (See *China Statistical Digest 1992*, pp 6, 84 and 88) The ratio between China's GNP growth index and transportation mileage growth index was 1:0.68, and that between GNP growth index and postal route growth index was 1:0.34. It is obvious that they are lagging behind in development.

The above two characteristic features in the structure of tertiary industry constitute the two fundamental structural drawbacks of China's tertiary industry. Intertwined with the aggregate shortage of tertiary industry, these structural drawbacks not only constitute "bottlenecks" in our industrialization at the present stage, but pose a serious threat to our marketization. Thus, in our development of tertiary industry at the present stage, we can only base ourselves on the determinants of the dual historic missions of industrialization and marketization, and earnestly shoulder the historic mission of promoting the dual transformation by combining aggregate expansion with structural readjustment.

Table 3: A Comparison between the Development of Representative Sectors in China's Tertiary Industry

		1978	1980	1985	1990	1991
1.	1. Absolute number (10,000)	9499	10444	12358	14059	14058
	Growth index	100	110.0	130.0	148.0	152.7
2.	Absolute number (10,000)	654	696	786	797	814
	Growth index	100	106.4	117.1	127.9	124.5
	Structural share	6.9	6.7	6.2	5.7	5.6
3.	Absolute number (10,000)	1094	1257	1575	1812	1888

Table 3: A Comparison between the Development of Representative Sectors in China's Tertiary Industry (Continued)

		1978	1980	1985	1990	1991
	Growth index	100	114.9	144.0	165.6	172.6
	Structural share	11.5	12.0	12.7	12.9	13.0
4.	Absolute number (10,000)	197	255	307	387	417
	Growth index	100	129.4	155.8	196.4	211.7
	Structural share	2.1	2.4	2.5	2.7	2.9
5.	Absolute number (10,000)	736	817	962	1144	1181
	Growth index	100	111.0	130.7	155.4	160.5
	Structural share	7.7	7.8	7.8	8.1	8.1
6.	Absolute number (10,000)	92	105	131	152	156
	Growth index	100	114.1	142.4	165.2	169.6
	Structural share	0.9	1.0	1.1	1.1	1.1
7.	Absolute number (10,000)	65	89	126	196	208
	Growth index	100	136.9	193.8	301.5	320.0
	Structural share	0.7	0.8	1.0	1.4	1.4
8.	Absolute number (10,000)	430	490	718	929	975
	Growth index	100	114.0	167.0	216.0	226.7
	Structural share	4.5	4.5	5.8	6.6	6.7

Note:

1. Number of staff and workers in all trades (year-end figure)
2. Communications, transportation, posts and telecommunications
3. Commerce, catering, material supply and marketing, and storage
4. Real estate, public utilities, services for residents, and counseling
5. Education, culture, art, broadcasting and television
6. Scientific research and comprehensive technical services
7. Finance and insurance
8. State organs, party and government organs, and social organizations

Source: *China Statistical Yearbook 1991*, p 102; *China Statistical Digest 1992*, p 18.

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93CE0331A Beijing GUOJI SHANGBAO in Chinese

[Article by Lu Zhen (0712 2182), Director of MOFERT's Loan Company: "China Made Good Use of Foreign Government Loans Last Year"]

[Text] In 1992, China concluded U.S.\$5.3 billion in loan agreements with foreign governments, a 32.5 percent increase over 1991. In addition, U.S.\$5.7 billion in loans previously agreed to came into effect last year, an increase of 137.5 percent over 1991. These were both new records in China's utilization of foreign government loans since adoption of the policy of opening and reform.

China concluded new loan agreements with more than 10 foreign governments last year, including such nations

as Russia, Japan, Germany, and Austria. According to the terms of the agreements, Japan will furnish U.S.\$1.1 billion in loans for such projects as electrical power stations, harbors, highway bridges and communications; Russia will provide U.S.\$2.5 billion for the Liaoning power station; Australia, Germany, Sweden, Kuwait, Austria, and Italy will individually provide loans ranging from U.S.\$60 million to U.S.\$200 million. On the presumption that it will not effect the range and favorable conditions in the loans extended by the above-mentioned foreign governments, China in 1992 went ahead in seeking US\$500 million in loans at favorable interest from the governments of Belgium and Canada, which will be used for a group of telephone and hydropower station projects, thereby opening up new outlets for the utilization of foreign loans.

Because of the significant increase in new loans in 1992, there has been an obvious rise in China's use of foreign

government loans since 1979. Up to the end of last year, 20 lending nations and the Northern Europe Investment Bank had promised U.S.\$29.4 billion to China, and of this total, U.S.\$19.8 billion had gone into effect. The loans in effect have been put to use in 1,062 construction projects, including key projects in the Sixth, Seventh, and Eighth Five-year Plans.

The U.S.\$5.7 billion in loans which became effective in 1992 were used for 125 projects, with energy projects taking the greatest amount, U.S.\$2.726 billion, or 47.75 percent of the year's total. The remainder was applied to projects in such areas as the petrochemical industry, transportation, posts and telecommunications, iron and steel metallurgy, etc.

The majority of these 125 projects were large- and medium-sized projects, of which 51 used loans in excess of U.S.\$10 million, totalling U.S.\$5.46 billion. That is 95.6 percent of the total amount of loans which became effective during the year. Nine projects made use of loans in excess of U.S.\$100 million, totalling U.S.\$3.92 billion, or 69 percent. The project receiving the largest loan was the automobile plant to be jointly produced by the Wuhan No 2 Automotive Plant and Xuetielong, which will make use of U.S.\$340 million in loans from the French government; the project is designed to have an annual production capacity of 150,000 vehicles. Next was Hubei's Wuhan Steel No 3 steelmaking project, which will use a Spanish loan of U.S.\$300 million, to be used for construction of two 250-ton converters (with a steel-making capacity of 1.87 billion tons annually) and certain foundry equipment. Third was the Dalian chemical fertilizer project, which will make use of a U.S.\$139 million German loan to build a synthetic ammonia plant with a 300,000 ton annual production capacity. There were others which used many more loans worth hundreds of millions of U.S. dollars to carry out national key construction projects. Some examples of these were the Zhongyuan acetylene project in Henan, which received a U.S.\$139 million loan from Italy; Shaanxi's Weihe chemical fertilizer plant, which is funded by a Japanese loan; the Jiusheng telephone project, the Baocheng railway, etc.

In 1992, China's GNP showed a large-scale increase in the volume of foreign trade, with a trade surplus of U.S.\$4.4 billion. Moreover, China's rate of redemption for that year was just under 10 percent, far below what is internationally accepted as a high risk level. This ensures that China is making prompt repayments with interest, and creates a favorable situation for China to further seek loans from foreign governments.

1993 will be a pivotal year in China's Eighth Five-year Plan, requiring a large amount of funding for construction, and especially foreign exchange for the import of advanced foreign technology and equipment. Therefore, we must strive to open up even more sources of foreign funding, including foreign government loans for specific

projects. In 1993, our work in utilizing foreign government loans will become a 100-chi pole, moving us forward still further.

Priority Goals To Improve Investment Environment

93CE0317A Beijing JINGJI RIBAO in Chinese
18 Feb 93 p 5

[Article by Wang Zhenzhong, Deputy Research Fellow of Economics Institute Under Academy of Social Sciences of China: "What Are Priority Goals in Improving China's Investment Environment"]

[Text] After 14 years of reform and opening to the outside world, China's investment environment has been distinctly improved. However, under the influence of the international macro-climate with the world nations vying with each other to open themselves to foreign businesses and attract more foreign investments, China's investment environment is once again faced with a new challenge. This has forced us to exert even greater efforts in improving our investment environment. During a fixed period of time, the energy and financial resources of the government in any nation are invariably limited. Therefore, in order to function effectively during a limited administrative period, it is necessary to select and determine the priority projects for improving the investment environment. The two investigation reports published by related departments in Hong Kong during 1992 provide us with useful reference.

One of the two reports is on the investigation conducted by the American Chamber of Commerce in Hong Kong, entitled, "Survey of Views of Members of Hong Kong American Chamber of Commerce in Doing Businesses in China's Guangdong Province." Eleven items have been investigated. The results show that over 50 percent of foreign businessmen expressed dissatisfaction over the following items in their given order: laws and decrees, supporting services, customs administrative efficiency, energy, duties and work efficiency of government administration personnel. If the aforementioned items are translated into factors which affect "hard environment" or "soft environment"—terms that now prevail in China, three of the items listed are hard environment factors (telecommunications facilities, transportation conditions and energy), while the other eight items are soft environment factors. Five of the six items which American businessmen complained about are soft environment factors.

The other investigation report was prepared by the Hong Kong General Industrial Association, entitled: "Some Problems Facing Hong Kong Business Investments in Zhujiang River Delta." The result of the investigation showed that one-third of Hong Kong businessmen believed that serious problems facing them in making

investments in Zhujiang River Delta are backward supporting industries, ambiguous laws and decrees and insufficient energy supplies. The first two problems are soft environment factors.

As seen from the aforementioned two investigation reports, dissatisfaction of Hong Kong businessmen and the American businessmen in Hong Kong can be divided into three categories—laws and decrees, supporting industries and energy supplies. It is known to all that Guangdong Province is the region where China had attracted most of the foreign investments. Thus, the investment environment in Guangdong is the epitome of China's investment environment.

Undoubtedly, the attitude of foreign businessmen also provides a strong basis for determining the priority goals in the improvement of China's investment environment. However, to achieve these goals, we must fully realize the significance in improving the soft environment factors. For example, why do foreign businessmen stress the need to make laws and decrees known to the people? Our studies indicate that when successful trans-national companies make direct investments, they invariably start from legal strategy first, while other strategies on production and ownership control are built on the basis of and in conformity with the legal strategy. Therefore, when a nation's laws and decrees are vague and unclear, they will increase investor risk and impact the effectiveness of major trans-national companies in allocating global resources. Our forefathers already said: "The state will head for disaster, if it changes its legal system from time to time." They also said that "if laws and decrees are clear-cut, soldiers are unafraid of difficulties and ready to die." These sayings show that laws must be made consistent, invariable and clear-cut. Meantime, we must also pay attention to improving the supporting industrial services. Right now, one of the reasons for many investors from developed nations to "return to the north" is the lack of efficient industrial service networks in the developing countries. This has made the introduction of some highly automated technologies in the production process difficult, because it is hard to carry out maintenance or repair work locally for the new equipment. Supporting industrial service has become a major issue for interdependent industries to survive in this world. For example, in a Japanese car company in Spain's Barcelona, car seats are being supplied by a parts supplier 50 miles away. The seats must be painted with the right color and fitted with springs and cushions first. They must arrive at the car assembly plant within 30 minutes prior to the final assembly procedure. This kind of high efficiency cannot be achieved without a highly efficient supporting industrial service system. From now on, China's priority goal in improving investment environment is to perfect laws and develop the system for supporting industrial services. Our country will definitely benefit, if we continue to do so.

Investment in B-Shares To Be Through Hong Kong

93CE0317B Shenzhen SHENZHEN TEQU BAO
in Chinese 15 Feb 93 p 5

[Article by Xiao Xing: "Investment in Mainland's B-Shares May Be Made Through Hong Kong"]

[Text] An expert on securities in Taiwan recently conducted an analysis and pointed out that a situation may emerge this year with Taiwan businessmen and foreign investors shifting their investments to Hong Kong's stock market. About 70 percent of the international capital which was originally invested in Mainland China's B-shares will be shifted to Hong Kong to invest in the "Chinese conceptual stocks" on the Hong Kong stock market.

However, both Shanghai and Shenzhen already announced their Chinese Lunar New year initial transactions in selling and buying B-shares with their price rising nearly 25 percent. There are still considerably potentials for mainland B-shares. Therefore, the rise or fall of mainland B-shares cannot become the main reason for foreign capital to shift its attention to the Hong Kong stock market. International investment experts believe that mainland B-shares are limited in total value. The market of B-shares is only worth about US\$40 million, not enough to attract a large amount of outside investments. In addition, Mainland China has gradually relaxed its foreign exchange control in order to re-enter the GATT. This gradually weakens the function of the mainland's stock market in using its B-shares to attract foreign exchange. This has also made mainland's B-shares less attractive. Right now, only 20 percent of the "China fund" originally raised by I Fu Group for investments in mainland's stock market is used in buying B-shares on the mainland, while 80 percent of the fund has been invested in the Hong Kong stock market.

In addition, Taiwan's financial authorities have adopted "blocking" methods to prevent Taiwan capital from flowing to mainland's stock market. This is one of the reasons why a part of Taiwan capital is forced to divert its attention to Hong Kong.

Records of Sino-U.S. Market Access Talks

HK1204054693 Beijing GUOJI SHANGBAO in Chinese
7 Mar 93 pp 1, 4

[Report by special correspondent Qi Wen (7871 2429) and staff reporter He Weiwen (0149 0251 2429): "Arrival of New Starting Point—Records of Sino-U.S. Talks on Market Access"]

[Text] I. Historical Moment

Washington, 10 October 1992.

As it was Saturday, all U.S. public servants, except those on duty, were at home having family day or spending

their weekend enjoying the mid-autumn holiday along the beautiful lakes or forests.

At 1145 in the evening, millions of American families were enjoying the evening amusement while the elderly and children went off to dreamland. However, the building of the Office of the U.S. Trade Representative was brilliantly illuminated. Deputy Representative Michael Moskow and his assistants were still working.

It was 1245 in the afternoon of Sunday, 11 October in Beijing. Millions of Chinese families were enjoying their lunch at home. To maintain normal development of Sino-U.S. trade ties and the fundamental interests of China's reform and opening up, Tong Zhiguang, vice minister of the Ministry of Foreign Economic Relations and Trade [MOFERT], and the large PRC Government delegation (composed of representatives from the MOFERT, State Planning Commission, Foreign Ministry, State Council's Economy and Trade Office, State Council's Electromechanical Coordination Office, Customs, Agriculture Ministry, and Commercial Inspection Bureau) led by him, shouldering the heavy responsibility placed by the CPC Central Committee, State Council, and the people of the whole country, were still working indomitably after eight days of strenuous talks to win the final success of the ninth round of the Sino-U.S. talks on market access.

The U.S. side set the deadline of the talks: 10 October 1992. If no agreement is reached after this date, the U.S. Administration will impose 100 percent of retaliatory tariffs on a series of goods imported from China, which include textiles, garments, shoes, and toys, involving billions of U.S. dollars exports from China and the jobs of millions of people. Meanwhile, the Chinese Government also decided to impose high anti-retaliatory tariffs on a large quantity of imports from the United States which include aircraft, timber, and machinery, involving billions of dollars of U.S. exports and the jobs of millions of people. The trade war would be imaginable, directly hurting China, the United States, and Hong Kong. This was of course not the result we expected.

The CPC Central Committee, State Council, and the whole country followed with great attention the results of the talks.

It was 1145 and only 15 minutes were left until 11 October. It was time for countdown. Scores of reporters from China, the United States, and Hong Kong waited outside the building of the Office of the U.S. Trade Representative for a whole day from 0800 in the morning. They were invited to the signing hall 15 minutes before the deadline.

The "if" did not happen.

At this moment, Tong Zhiguang and Moskow signed the "Sino-U.S. Memorandum of Understanding on Market Access" on behalf of their governments.

The nine rounds of strenuous talks, which lasted 18 months, came to a successful end. A trade war was avoided.

When the Chinese delegation appeared at the gate that midnight, they were immediately encircled by reporters. In an easy and relaxed manner, Tong Zhiguang announced in English to the press the news of an agreement reached between China and the United States, taking off the load which remained on his shoulders for 18 months.

Upon their return to the Chinese Embassy, the Chinese delegation immediately reported this exciting achievement to China. It was 2000 in the evening in Beijing. The 14th Party Congress which was of great historic significance was to open solemnly in less than 24 hours. To the 14th Party Congress this was a solemn and valuable generous gift which contained months of painstaking effort.

On the second day, this major event became the top news of the XINHUA NEWS AGENCY, RENMIN RIBAO, Central Broadcasting Station, Central Television, the media in the United States and Hong Kong, and the newspapers, television, and radio of many countries and regions.

II. Cause

Based on U.S. deficits in bilateral trade for years running, the U.S. Administration in April 1991 raised to the Chinese side the question of market access for the first time. According to U.S. statistics, from 1979, when China and the United States established diplomatic ties, until 1982, the United States was enjoying a favorable balance of trade with China. From 1983 onwards, the U.S. side was suffering from deficits, which increased rapidly in recent years: \$3.5 billion in 1988, \$6.2 billion in 1989, and \$10.4 billion in 1990. The United States insisted that the essential reason for the huge U.S. trade deficits was that the U.S. market was open to Chinese goods while China's market was not open to U.S. goods. There was a serious obstacle to market access, which must be removed.

The Office of the U.S. Trade Representative, which is responsible for formulating U.S. international trade policies and holding international trade talks under direct leadership of the U.S. President, mentioned in its 1990 Report on Foreign Trade Barriers the barrier erected by China in trade.

Based on this report, the U.S. side presented a "nonofficial document" to China's MOFERT in June 1991, listing the obstacles placed by China on market access and the demands of the U.S. side, which included:

First, transparency. The U.S. side holds that there is a lack of transparency in China's foreign trade system and policies. In addition, China mainly relies on secret and internal regulations, which are out of reach to businessmen, to exercise management over imports. The

U.S. side demands that China make public all the laws, rules, and regulations involving trade and ensure that it will not enforce any trade regulations which have not been announced.

Second, import license. The U.S. side holds that China's import license system is complicated, which affects the growth in imports and thus demands that China abolish all its import licenses within a year and make public the list of licensed commodities, issuance organ, and procedures.

Third, ban on imports and quantity limit and control. The U.S. side holds that there are various kinds of prohibition and quantity limit and control, which constitute a discrimination against U.S. products, and thus demands that China abolish all such restrictive measures within a year.

Fourth, tariffs. The U.S. side holds that China's overall tariffs are too high, which checks imports, particularly the tariffs on 90 kinds of commodities raised by China after 1989. In addition, China also imposed import regulatory taxes. The U.S. side demands that China abolish its import regulatory taxes, reduce the tariffs on the 90 kinds of commodities by 50 percent within a year, and substantially lower the tariffs within two to three years.

Fifth, import substitutes. The U.S. side holds that China extensively pursues an import substitute policy. Products that can be manufactured at home are not to be imported, even though the similar foreign products are of better quality and are competitive in prices. This constitutes an obstacle and discrimination against imports. China is required to abolish this policy.

Sixth, animal and plant quarantine and commodity quality inspection. The U.S. side holds that China's requirements and criteria in this regard are too strict and secret, which are not suitable to similar domestic products and constitute a barrier to import products. China is required to make public the relevant regulations and criteria and abolish the unscientific quarantine and inspection standards.

In this way, the Sino-U.S. talks on market access started. The two sides had their first contact in April 1991 and held their second round of talks in June. In the two round of talks, the Chinese delegation adopted the principle of "withstanding" and "dragging," stressed the difference in trade statistics between the two sides and the drop in China's imports caused by sanctions imposed by the West, including the United States, following the 1989 political disturbance in China.

After the third round of talks in August 1991, the Chinese side presented on 30 September to the U.S. side a nonofficial document on China's position on market access. At the fourth round of Sino-U.S. talks, the Chinese side again presented to the U.S. side China's draft memorandum of understanding [MOU].

III. Section 301 Investigation

On 9 October 1991, the Office of the U.S. Trade Representative launched a Section 301 investigation in compliance with Section 301 of the U.S. Trade Law (1974) on the transparency, import license, import ban, quantity restriction, and technical barrier in regard to China's trade. This move escalated the issue all of a sudden.

Section 301 of the U.S. Trade Law (1974), also known as Article 301, is an article stipulated against other countries' unfair trade practices. Instrumental to the U.S. Government in opening up overseas markets and expanding exportation, it shows a strong trait of protectionism. According to the provisions of Article 301, if a foreign government fails to abide by the trade agreement it has concluded with the U.S. Government or adopts other unfair trade practices to the detriment of the trade interests of the United States, the U.S. Government may resort to coercive retaliatory measures to protect the United States' economic interests.

The implementation of Article 301 is in the charge of the Office of the U.S. Trade Representative, which is authorized to independently place a case on file for investigation, i.e., Section 301 investigation, on the trade practices of a relevant country. The duration of the investigation is set at 12 months which means, in this case, it should end on 9 October 1992. One month before this date, i.e., on 9 September, the list of commodities to be put through the retaliation would be published. Should the investigation fail to bring about an agreement by the expiry date, the United States would unilaterally impose retaliatory high tariffs on some of the products exported to the United States from China to push them out of the U.S. market.

IV. There Is More to the Background

True, trade imbalance was the direct cause of this affair, but it was not the only cause. Between 1983 and 1988, according to U.S. statistics, the U.S. trade with China turned out deficits. The 1986 report on foreign trade barriers supplied by the Office of the U.S. Trade Representative mentioned China, but the issue of market access was not raised to China afterward, nor was the Section 301 investigation launched.

There was more to the background against which the issue of market access was raised. It was closely connected with the overall international situation, Sino-U.S. relations, and the economic and political factors within the United States.

After 1989, following the dramatic changes in East Europe and the disintegration of the Soviet Union, the Soviet Union in the capacity of a superpower contending with the United States ceased to exist and the old cold war pattern was ended. Initiated by the United States, the Group of Seven tried to create a new international order. The United States, Japan, and Europe, as three major economic entities, cooperated as well as struggled

with one another. Therefore, the United States stepped up its pressure on China in economy and trade.

In the wake of the political disturbance in June 1989, the United States' attitude and policy toward China were greatly changed. It not only imposed so-called "sanctions" on China, but made more conspicuous some problems that had always plagued the bilateral relations, such as human rights, arms sales, and nuclear proliferation. The difference in the social system between them once again became a drag on the normal development of bilateral relations.

As far as the United States' domestic economic and political environment is concerned, as from the third quarter of 1990, the United States entered the most protracted economic recession since World War II. A large number of factories were closed down, the number of the unemployed approached the rare figure of 10 million, the deficit in its foreign trade stayed high, the competitiveness of its products was weakened, and trade protectionism gained ground. Between 1990 and 1991, the U.S. Government time and again used Article 301 to compel Japan, Taiwan, ROK, and European Community to open their markets to it. In the U.S. presidential election, Bush felt an even greater need to adopt tough action against China to give the Democrats less excuse for attacking him.

This was the background against which the issue of market access was raised.

V. Objective Assessment

Was the United States stating the truth when it pointed out the obstacles to market access on China's part?

Was the enormous deficit on the part of the United States in its trade with China as published by the U.S. side a reality?

Were the series of demands raised by the U.S. side for China to open up its market reasonable?

These questions should be assessed objectively, scientifically, and with a cool head.

As far as the bilateral trade balance is concerned, there is a big difference between the statistics provided by the two countries. According to the statistics of China's customs authorities, China's export to the United States in 1990 was \$5.18 billion, its import from the latter \$6.59 billion, constituting a \$1.41 billion deficit on China's part. This was a \$11.81 billion difference compared to the U.S. statistics, which claimed that a deficit of \$10.4 billion had been incurred on the U.S. part. This difference can be explained by the following two factors. The first factor is reselling through Hong Kong. By China's mode of statistical computation, all Chinese products sold to Hong Kong are considered exports to Hong Kong from the mainland; but by the U.S. mode of statistical computation, as long as the origin of a product is China, no matter whether it is resold through Hong

Kong or any other place, it is still regarded as an import from China. However, when this happens, the middleman takes a big part of the profit and the actual earning of the Chinese company concerned is not the whole of the profit. The second factor is the export of processed goods in the case of "three processings and one compensation." Especially in southern coastal areas, foreign businessmen bring in materials for processing and then sell the end products to the United States. The Chinese enterprises involved only get a small amount of processing fees which take up only 7-8 percent of the products' export value. But the United States considers the value of such products as that of imports from China. Therefore, to say the least, the figures worked out by the United States are not a rounded, objective, and accurate reflection of the truth. This calls for special research by both sides. However, the United States refers to its trade statistics when making trade policies. This is a well-known fact.

As to the existing problems in China's import control system, some of the demands raised by the U.S. side were beyond the standards of the General Agreement on Tariffs and Trade [GATT] and unreasonable, but many of their viewpoints were not entirely pointless.

The current import control system in China mainly reflects the characteristics of the planned economic system that was in practice a long time. It not only differs significantly from the internationally accepted trade rules embodied in the GATT, but is also incongruent in many ways with the goal of establishing a socialist system of market economy announced by the 14th party congress. It does need readjusting.

In terms of transparency, GATT requires that the import control systems of all member countries be transparent so that foreign enterprises have the opportunity to enter their markets openly and with fair treatment. But China's import control system and even the entire foreign trade system lack transparency. They are mainly operated by administrative means and documents with restricted circulation and are managed by a number of authoritative departments. Foreign businessmen have no idea what regulations and obstacles they have to deal with in order to enter China's market. The lack of openness provides, objectively, a hotbed for corruption.

In terms of import license, at present China's import licenses are required of 53 categories of commodities, involving over 700 taxable items. Their proportion in all commodity categories is indeed too big. Though it has a positive role to play in controlling the scale of importation and rationally distributing limited foreign exchange, it has also given rise to overprotection of some trades. We also have an administrative inspection system for machinery and electronic products, which covers an extensive scope. It not only protects backwardness to a great extent, but also shuts some technologically advanced products from other countries out of China, not because of market competition, but because of a

manmade, administrative factor. Furthermore, importation required by domestic enterprises for normal operation also has to go through a complicated and lengthy process of examination and approval. It obviously does not help enterprises speed up their technical transformation and raise their competitiveness.

In terms of import tariffs, the average of China's tariffs is 38 percent and the weighted average is 22.5 percent, not only much higher than that of developed countries (3.5-5 percent), but also higher than that of developing countries' average level (15 percent).

To readjust and reform China's import control system and even the entire foreign trade system so that they may gradually move toward conformity with the international rules stipulated in GATT and the objective law of market economy is required by the process of expanding the opening up and deepening the structural reform in China. We would have had to do this, with or without Sino-U.S. market access talks. Nevertheless, the Sino-U.S. market access talks could catalyze this process.

On the other hand, however, there were also rather unreasonable elements in the demands raised by the United States. For instance, they demanded China publish its plan for canceling all quotas and licenses within a year. This was beyond GATT's requirement. Some of the requirements could not be fulfilled by the United States itself. Even to this day, the United States still sets quotas on the import of textiles and some agricultural products and demands exporters of automobiles and steel products exercise "automatic restriction." Obviously, it was hardly justifiable to demand China comply with these requirements.

VI. Utter Sincerity, Staunch Efforts

The Sino-U.S. market access talks were a trade struggle concerning the economic interests of both countries. Obviously, the United States aimed at forcing China to open its market through the talks and expand its export to China. Our interest in the talks was to safeguard and develop China's export market in the United States, improve the atmosphere of Sino-U.S. economic relations and trade, and help restore China's status as signatory to GATT at an early date. To this end the Chinese delegation, under the correct leadership of the CPC Central Committee and the State Council and with MOFERT Minister Li Lanqing directly attending to the case, held 18-month long, nine rounds of grueling talks with the Office of the U.S. Trade Representative, known as the "world economic police" and "watchdog of U.S. interests," with utter sincerity.

Beijing, 22 October 1991. To keynote the framework of the MOU, Tong Zhiguang, head of the Chinese Government delegation, presented to his counterpart, Assistant U.S. Trade Representative Joseph Massey, China's draft MOU on the issue of market access, during the fourth round of the Sino-U.S. market access talks. This MOU included promises in response to some reasonable demands and listed some actions to be taken.

On 1 January 1992, China General Administration of Customs [GAC] announced the lowering of import tariffs on 255 taxable items as of that day.

On 17 January 1992, the Chinese Government delegation headed by MOFERT Vice Minister Wu Yi and the U.S. Government delegation headed by Carla Hills, U.S. Trade representative, signed the "Memorandum of Understanding on the Protection of Intellectual Property Between the Government of the People's Republic of China and the Government of the United States of America" in Washington. This indicated that it was perfectly possible for China and the United States to solve their economic and trade clashes through consultations on an equal footing.

In order to bring about an early solution to the issue, MOFERT Minister Li Lanqing specially made a statement declaring that China would adopt five measures to reform its import control system.

On 15 March 1992, the GAC announced that, as of 1 April, import regulatory tax be cancelled and the actual tariffs on 16 commodity categories with a total of 168 taxable items be reduced by 28.6 percent to 61.5 percent, in which those on synthetic fiber and artificial fabrics be reduced by 30 percent, that on microcomputers with 32 characters or less per line be reduced by 45 percent, and that on general-purpose video cameras by 37.5 percent.

Within half a year after the fourth round of talks, the MOFERT published in its official paper GUOJI SHANGBAO a series of import and export control documents and stipulations in three batches, which included some documents from 1979, and announced the annulment of more than 100 control documents of restricted circulation.

For China, the biggest developing country accustomed to decades of planned economic management, it was not easy to resolutely adopt so many measures for opening its market within such a short time. It was not only required by our effort to deepen the reform but also a practical step in the gradual move toward complying with the provisions of the GATT.

Washington, between the end of March and the beginning of April. The sixth round of Sino-U.S. market access talks was held. This time, Massey presented the United States' draft MOU to Tong Zhiguang. This was an important progress which brought the talks between the two sides into a substantive stage of discussing the specific contents and wording of the MOU. We adopted the strategy of not budging on matters of principle and maximally using the U.S. side's wording on technical issues, thus defining the scope of the final contents of the MOU.

During the seventh round in Beijing from 21 to 22 May 1992, the Chinese side forwarded to the U.S. side a list of commodities, for which two thirds of the import licenses would be abolished in three years' time, and a list of 50 commodities whose tariffs would be reduced by 30

percent within two years. On the day this round of talks were concluded, Massey said at the news conference in the U.S. Embassy in China that this had been the most fruitful round.

The eighth round of talks took place in Beijing 19-21 August. After the two sides had reached a consensus on some specific clauses at the working-level consultations, the Chinese delegation, with the aim of reaching an agreement at an early date and in the overall interest of improving the Sino-U.S. relations, came up with a new proposal in line with the spirit of the instructions given by the State Council. The U.S. side, however, adopted a rude and unreasonable attitude. They demanded, for instance, that China publish annual import plans and do away with all import quotas and permits within one year. This overstepped not only GATT regulations and U.S. practice, but also the requirements the U.S. set in its trade talks with EC and Japan. The Chinese delegation naturally argued strongly on just grounds. Tong Zhiguang, head of the Chinese delegation, engaged in a battle of words with Moskow and Ira Wolf and the debate became white-hot. The Chinese side finally firmly rejected the U.S. side's unreasonable demands.

The talks failed to reach an agreement. The MOFERT spokesman made a statement on the very day when the talks ended expressing regret over the result.

When it was only a month and a half away from the deadline of 9 October, the U.S. side invited the Chinese delegation to continue the talks in Washington on 6 October.

On 21 August, the very day when the eighth round of talks failed to reach an agreement, the Office of the U.S. Trade Representative published a hit-list of commodities against China. The list involved many items of which a large quantity China exported to the United States, including textiles, garments, shoes, toys, and certain mechanical and electrical products, with the total amount reaching \$3.9 billion. If the two sides should fail to reach an agreement by the deadline, the United States would unilaterally impose 100 percent punitive tariffs on these commodities, actually forbidding these commodities from entering the U.S. market.

VII. China Would Certainly Hit Back

Since the U.S. threatened to take retaliatory measures with respect to its trade with China, China had no choice but to take corresponding retaliatory measures.

China's relevant departments immediately produced a counter-hit list. China would also take retaliatory measures against the aircraft, chemical fertilizers, timber, and pesticides to be exported from the U.S. involving \$4 billion.

While demanding its trade partner follow GATT principles, the United States went against GATT's mutual beneficial principle by unilaterally threatening to retaliate against its trade partner. Under the circumstances,

China had no alternative but to fight to the end and would not hesitate to engage in a trade war.

Throughout Chinese history, when did the Chinese people ever yield to pressure from outside?

VIII. A Trade War Would Not Be in the Interest of Both Sides

Nevertheless, China did not hope a trade war would break out between China and the U.S. because this would lead to a big retrogression of the Sino-U.S. economic and trade relations.

China was accelerating opening up and economic development, so it needed a normal external commercial environment. In 1991, China's export volume accounted for over 20 percent of its gross national product (GNP). In 1990, China's export volume of textiles, silk, canned food, and drawn work made up 58.9, 80, 70, and 50 percent of their own gross industrial output values respectively. These industries depended much on the international market for their existence. Of its total export volume in 1991, China's export to the United States (including re-export from Hong Kong) accounted for 24.5 percent. So the United States was China's biggest foreign market besides Hong Kong. In 1991, the U.S. market absorbed 26 percent textiles and garments, 19 percent shoes, and 18 percent of the crude oil exported by China. Through 10 years of efforts, China-made toys; textiles and garments; shoes; travelling bags, suitcases, and similar items; and clocks and watches accounted for 31, 26, 26, 40, and 10.5 percent of U.S. total import volumes respectively. If the United States should impose 100 percent tariff upon these products, most of these products would be forced to withdraw from the U.S. market. Consequently, many enterprises in China, and many foreign-funded enterprises in southern coastal areas in particular, would be forced to suspend their operation, thus affecting the implementation of the strategy and the international environment for reform and opening up as a whole.

The trade war, if any, would also badly hit the U.S. economy. Trade is usually advantageous to both parties. Since the U.S. market had a great demand for Chinese textiles, garments, silk, toys, and shoes, U.S. importers would have to import these products from other countries at a higher price if Chinese products were forced to withdraw from the U.S. market. Many important U.S.-made products would also be forced to withdraw from China due to China's retaliation. Now China purchased 20 percent wheat and one sixth of phosphate fertilizers exported by the United States. China was, by now, also the third or fourth biggest purchaser of Boeing planes. The Boeing aircraft company had just had its order for 100 planes placed by the Northwest Airline Company taken away by the Europe Air Bus Company, how could it afford to lose its market share in China?

In addition, a Sino-U.S. trade war would also affect the interest of U.S. enterprises in China. By late September 1992, with China's approval, American businessmen

had directly invested in 3,899 projects in China involving \$6.3 billion, a figure only smaller than the investment made by Hong Kong businessmen but much more than the investment by Japanese businessmen. Many of these enterprises depend on export to the United States for existence. If the United States levied punitive tariffs, their business would shrink or even move out of China.

From a long-term point of view, is the United States willing to lose a large thriving market in China? Premier Li Peng had said earlier that China's total import volume for the eighth five-year plan will top \$300 billion. Are U.S. enterprises, which are suffering from economic recession, willing to engage in a trade war with China, thus giving their market shares in China to other people?

In 1991, U.S. export to China increased by 21.5 percent, but Japan's export to China increased by 32.1 percent with the absolute amount (\$10.028 billion) being \$2 billion more than the corresponding U.S. export volume. Taiwan's export to the mainland increased by 61.3 percent with the absolute amount (\$3.639 billion) reaching about half of the corresponding U.S. export volume while ROK's export to China increased 55.8 percent. Since 1992, every locality in China, encouraged by the spirit of the talks given by Deng Xiaoping during his south China tour, had been enthusiastic for opening wider to the outside world, and West European countries had expressed in turn their optimism over prospects of China's market. Under the circumstances, was it in the United States' interest for it to alienate itself from the Chinese market?

In the meantime, a Sino-U.S. trade war would also affect Hong Kong's economy. According to the estimate given by relevant offices in Hong Kong, if the trade war broke out, Hong Kong's gross domestic product would drop 0.7 percent, its foreign trade would sustain a loss of \$4.5 billion, and 160,000 people would lose their jobs. This would also represent a heavy blow to Hong Kong-based U.S. firms.

The Bush administration had to carefully weigh all these pros and cons.

IX. Fight Indomitably To Accomplish the Mission

The seventh, namely the last, round of Sino-U.S. market access talks was held in Washington 2-10 October 1992.

It was necessary not to lose any favorable opportunity. Tong Zhiguang, head of the Chinese delegation, made a statement to reporters from RENMIN RIBAO, the Chinese Central Television, and GUOJI SHANGBAO before leaving for Washington, clearing expounding China's position. Tong Zhiguang said: China does not hope a trade war will break out between China and the United States, because this is not in the interest of both sides. China, however, is not afraid of a trade war, especially when the other party threatens to retaliate against China by imposing punitive tariffs on Chinese goods.

From 2 - 5 October, the two sides held working-level talks. Sun Zhenyu, deputy head of the Chinese delegation, held continuous talks with Lee Sands, director of the section for China and Mongolia under the Office of the U.S. Trade Representative, over a series of outstanding differences between the two sides. The U.S. side applied high-handed tactics but the Chinese side remained calm and argued strongly on just grounds. The U.S. side suggested winding up the talks before 1200 on 9 October because U.S. Trade Representative Hills was scheduled to leave Washington for Europe at midday that day. The Chinese side agreed.

On 6 October, Tong Zhiguang, together with deputy heads Xu Bingjin and Sun Zhenyu, met with Moskow, deputy U.S. trade representative. Later, they held the first session for the ninth round of talks with Wolf, assistant U.S. trade representative.

On 7 and 8 October, the two sides continued the working-level talks.

Up to then the U.S. side had never demonstrated the flexibility promised earlier. Toward the end of the official talks between Tong Zhiguang and Wolf on 8 October, the latter, with a stern look on his face, said presumptuously: The results which have been achieved so far "make me extremely disappointed and regretful. I believe the Chinese side has made an historic mistake." Tong Zhiguang retorted: I do not think we have made any wrong decisions. For me, I would like to see how much flexibility the U.S. side will show.

At the request of the U.S. side, Tong and Hills held small-scale talks late on the afternoon of 8 October. Hills expressed concern over the talks reaching an impasse. She once again linked possible results of the talks with China's MFN status and again produced the U.S. side's "magic weapon"—the pressure from Congress and the "irresistible" domestic legislation. Tong Zhiguang gave tit for tat by stressing: The U.S. domestic legislation itself is neither fair nor reasonable. The Chinese delegation likewise cannot suggest to the Chinese Government that the latter make a concession which is too much for its industry, nor can it promise that China will meet any requirements stricter than those set by GATT regulations, because it has to account to the NPC for what it has done. Tong demanded the U.S. side propose a final package solution.

After the Tong-Hills talks, the Chinese delegation continued to work in the evening, studying the situation, asking the higher authorities for advice, and working out the tactics for the decisive round of talks the next day, until 0300 the next morning. Tong Zhiguang was so exhausted that he felt everything in front of him went black and he saw shower of stars. Indeed, this was the most important and most difficult trade negotiation since the founding of the People's Republic, involving tiresome work and unimaginable heavy mental pressure. "I must not fall," Tong encouraged himself. It was a matter concerning the motherland's long-term interest

and affecting the whole situation of the Sino-U.S. trade and economic relations, so it was necessary to hold out until success was scored and the mission accomplished!

At 0900 on 9 October, the U.S. delegation headed by Hills held formal talks with the Chinese delegation. The U.S. side produced a list of commodities of which they demanded China open its market. The Chinese delegation showed a little flexibility in this respect. After two hours of high-level and professional talks, however, the two sides failed to reduce their differences. The U.S. side kept exerting pressure and the atmosphere became increasingly tense, so tense that everyone present felt stifled. Tong Zhiguang remained calm and withstood the pressure.

It was 1120 now, 40 minutes away from the deadline the two sides had agreed the talks would end. If things went on this way, the two sides would be unable to reach an agreement. The two sides were then forced to go into a recess. Every member of the two delegations was wearing an expressionless face. This presented a severe test for the will of the negotiators. As head of the Chinese delegation, Tong Zhiguang bore the greatest pressure because he profoundly realized what would result from successful or unsuccessful talks. His brain functioned like a high-speed electronic computer, weighing the pros and cons of the situation as a whole. From his calm expression, one could tell that he had a well-thought-out plan and was determined to get what he had desired.

At 1150, Moskow led the U.S. delegation to return to the negotiating table. He said Ambassador Hills had decided to delay her departure time until 1500 and then suggested the two sides begin discussing the text of a memorandum.

At 1330, there was another recess. The members of the Chinese delegation were discussing their tactics while having some food in the conference room. As required by the U.S. side, the final talks would be held among a small number of people. Of Chinese negotiators, only the head of the delegation, a deputy representative, and an interpreter would attend. The members of the Chinese delegation unanimously believed that the situation was favorable to them, but that they should take the madness of the U.S. side into account and prepared themselves for both eventualities. Tactically speaking, they must force Hills to make a deal personally on behalf of the U.S. side. In the meantime, the Chinese delegation was drafting a statement which would be published if the talks broke down.

At 1510, Ambassador Hills, who once again postponed her departure time, Moskow, and Wolf returned to the negotiating table with a stern look on their faces after spending two hours asking the U.S. Government for advice and holding adequate consultations. Being hard pressed by Tong Zhiguang, Hills finally showed his hand by proposing a package solution, including the U.S. written commitment: The United States will firmly support China in its efforts to restore its status as a

signatory status to GATT and will relax the restrictions on export of hi-tech products to China.

After the final bargaining between the two sides, the two sides finally reached in principle an agreement on the key clauses of the memorandum of understanding at 1710.

After their final bargaining, at 1710 the two sides finally reached agreement on some key clauses and principles in the Memorandum of Understanding.

Ambassador Hills stood up and shook hands with Tong Zhiguang. She extended congratulations and walked him from the second floor to the gate. She also said some words of courtesy as farewell wishes. This is reportedly rare in the office of the U.S. Trade Delegation.

However, after agreement was reached on the above-mentioned principles, a great deal of work has only just begun. From 1700 of 9 [October] when the agreement was in principle reached, to 2345 the next day, members of the delegation and personnel of the embassy did not rest. They negotiated details regarding other clauses with the American side, verified the Chinese and English versions, and typed and proofread several dozen pages of annexes to the agreement. The wording of some clauses, in particular, does not seem to present a big problem on the surface. However, when interpreting the meanings of the Chinese and English versions separately, one finds considerable differences. Therefore, on occasion, the two sides could not but spend several hours on the uses of a particular word or phrase.

What was heartening was that they did not waste a single effort.

At 1830, Hills flew to the EC headquarters.

At 1945, Tong Zhiguang and Michael Moskow signed the final text of the agreement on behalf of their own governments. This was an unforgettable scene as mentioned at the beginning of this article.

X. Thoughts Left From the Success

Finally, a deal, which was acceptable to the two sides, was made at the Sino-U.S. Market Access Talks. Its significance is far more than the words of the agreement can demonstrate.

Why was it necessary to hold talks on the question of market access between China and the United States?

The talks were unavoidable. As mentioned earlier, in the context of the U.S. domestic as well as international situations, it is impossible for the U.S. Government to neglect the large balance deficit, counted in its own terms, with China because it is bound up with its immediate interests. China could not avoid this issue either because it not only is a big issue in the two countries' economic and trade relations, but involves overall Sino-U.S. relations. Moreover, China's import management system, to some extent, does not conform

to international common regulations and obstructs to varying degrees the import of foreign products and must be readjusted.

Since the end of the cold war, the major means (if not the only means) countries have used to cope with contradictions, particularly economic and trade contradictions, have been talks. The problems existing in Sino-U.S. bilateral relations can only be resolved through talks.

Why was it necessary to strive for success in the Sino-U.S. Market Access Talks?

Because that was bound up with overall Sino-U.S. relations and with the long-term interests of China's socialist modernization.

If the talks failed, a trade war would naturally break out. If we say it was "likely" at the beginning, then it evolved to be "very likely" at the last minute. The trade war was very likely to break out. As we said earlier, if it broke out, not only would many products of China be forced out of the American market, many export-oriented industries and export-oriented enterprise and foreign-invested enterprises in coastal areas will be hard hit; and moreover, the economies of Hong Kong and the United States would be severely affected; and Sino-U.S. relations and even their overall relations would make a great retrogress. China, of course, does not expect this, as it needs a fine and peaceful international environment to quicken reform and expand opening up.

The 14th CPC National Congress set the objective of establishing socialist market economy in China. Socialist market economy is characterized by the fact that state-owned economy occupies a leading place, the allocation of resources is determined by market forces, and that market prices are determined by supply and demand. This kind of socialist market economy contains the home-market element and the overseas-market element. As China's economy is gradually joining the world market, the boundary between these two markets is getting increasingly smaller. Therefore, in considering China's economic construction, it is necessary to consider the home market and the overseas market and the two kinds of resources. We need overseas markets including the American market. We need overseas resources including American resources. Likewise, the United States also needs the Chinese market and resources. This is where China's long-term interests lie and is the fundamental reason we needed to strive by every possible means for success in the talks.

Of course, looking back at the nine rounds of talks in the past 18 months, everyone will sigh that the success has not come easily.

Talks are a form of struggle and are an art. They also involve rich and solid professional knowledge.

The success in the Sino-U.S. Market Access Talks is an example of the fact that under the guidance of the CPC Central Committee and the State Council, the Chinese

delegation resolutely safeguarded the state's dignity and fundamental interests while organically integrating the sense of principle and flexibility.

Where something involves the state's sovereignty, dignity, and fundamental interests, the delegation demonstrated a resolute sense of principle. When have the Chinese ever been scared away by threats from foreigners?

Likewise, precisely in view of the country's long-term interests and fundamental interests and in order to create a peaceful and cooperative international environment with a view to concentrating energies on economic construction, on some specific questions and technical problems, and in exchange for the U.S. side's favorable promises, they demonstrated a certain degree of flexibility. As for some of their rational demands that we cannot meet for the time being, we adjusted the countermeasures in light of China's current level of economic development and in a truth-seeking manner.

The delegation fully implemented the strategy of struggling on just grounds, to our advantage, and with restraint, and scored a complete success.

Think of the worst and be prepared in advance for the start of a trade war. Make efforts where it looks most promising. Preparedness averts peril and is the key to success.

Members of the delegation came from various relevant departments of the state. For the sake of national interests, all these comrades closely coordinated, struggled in solidarity, and took the same position toward the outside.

The delegation depended heavily on the CPC Central Committee and the State Council and would ask for instructions and give reports at any time. The success is attributable to the correct principle and leadership of the CPC Central Committee and the State Council.

Success in the Sino-U.S. Market Access Talks has created favorable conditions and atmosphere for the normalization and further development of Sino-U.S. economic and trade relations. Not long afterwards, on 17 December, sent by President Bush, U.S. Secretary for Commerce Franklin visited China, restoring the exchange of visits by senior cabinet [ge liao ji 7041 0297 4787] officials, restoring the Sino-U.S. Commerce and Trade Joint Committee which has been suspended for four years, and symbolizing that Sino-U.S. economic and trade relations have entered a new stage. The agreement on Sino-U.S. market access has invalidated the excuses with which some American people attempted to affix conditions to the granting of MFN status. It has also won more support in the United States. It is no exaggeration at all to say that the agreement will become a milestone for the development of Sino-U.S. bilateral economic and trade relations.

The agreement embodies many basic regulations and requirements of GATT. The United States also promised to resolutely support China in obtaining GATT membership. This is beneficial to China for restoring GATT membership at an early date.

The signing of the agreement will also encourage enterprises from around the world to trade and cooperate in China and spur China's foreign-trade system to get gradually closer to international common regulations, promote the Chinese market to join the international market. This has a far-reaching historical significance to China's overall reform and opening up and to the fundamental objective of establishing socialist market economy.

The people will record the achievements of the Chinese delegation! History will leave an everlasting page for the Sino-U.S. Market Access Talks!

II. A New Journey

The course of the Sino-U.S. Market Access Talks is a course of China's gradually readjusting the current foreign trade system, especially the import management system in keeping with GATT principles. It is also a course of market economic regulations having an impact on the original planned economic system. This course must take place whether the Sino-U.S. Market Access Talks took place or not and whether agreement was reached or not at the talks. This is the only way for China to establish socialist market economy and to restore GATT membership.

According to the agreement, in the context of more advantages than disadvantages, China will also have to change some of its practices. Since 31 December 1992 China has lowered the tariffs on 3,371 taxable items [shui hao 4451 5714]. Since some commodities have had their import tariffs lowered and their import restrictions relaxed, for some time to come some industries in China will suffer impact from the outside. This competitive pressure is not necessarily bad. In the long run, only by allowing enterprises to directly compete in the international market can national industry be promising. This, of course, cannot be achieved with several brave words. From now on we must have adequate mental and work preparations, promptly readjust operational mechanisms, strengthen the awareness of competition, and continuously enhance enterprises' own competitiveness. Only by doing this can we meet the needs of these kinds of changes in the import system and the market changes after restoring GATT membership in the future.

Now the talks are over, but to comrade Tong Zhiguang a new journey has begun. This is because that as China's economy is developing at high speed, so is its foreign trade; and new frictions will emerge while old frictions have ended. For the sake of their own economic interests, trade disputes between nations often occur. We must be ready and learn to use talks, the international

common practice, to open up markets, strive for preferential treatment, safeguard national interests, and struggle arduously to build a strong economy.

ECONOMIC ZONES

Shenzhen Achieves Record Services Sector Output in 1992

93CE0338A Shenzhen SHENZHEN TEQU BAO
in Chinese 17 Feb 93

[Article: "Service Industries Break Two Records; Increase in Total Output Amounts to 13.2 Billion Yuan, 46.5 Percent of Shenzhen's Total Domestic Production"]

[Text] Shenzhen's service industries in 1992 showed an increase both in their value and in their proportion of Shenzhen's total production value. Both of these were all-time records for Shenzhen.

Shenzhen's service industries developed rapidly last year. Statistics show that these industries increased in value to 13.2 billion yuan, a 41.9 percent increase when compared to the 9.302 billion yuan of the previous year. The increased value is now 46.5 percent of Shenzhen's total production value, only 3.5 percent less than the 50 percent proportion of secondary industries, and far greater than the 20 percent national average for service industries. Service industries have become a mainstay of commerce and trade, finance, transportation, posts and telecommunications, and tourism, and have formed a complete, profitable, industrial colony within 35 existing classes of industry.

Experts forecast that Shenzhen's service industries will continue to develop this year. However, due to the expanded scale of investment in capital construction for the secondary industries, and the sustained development of those industries, the increased value of the service industries will still not surpass that of the secondary industries, with the proportional gap remaining at around 4 percent.

However, the experts acknowledge that as Shenzhen's various capital construction projects move smoothly toward completion, within three or four years Shenzhen's service industries could possibly replace the secondary industries, becoming the "number one" industries in reality as well as in name.

According to the latest statistics, 1992 retail sales in Shenzhen totalled 11.6 billion yuan, a 36.6 percent increase over the previous year. The value of export-import trade was more than US\$11 billion, of which exports constituted more than U.S.\$6 billion and imports over U.S.\$5 billion. The real estate business prospered: there were 3.4 billion yuan in housing sales, a 46.2 percent increase over the previous year, and 31.6 percent of the year's total investment in capital construction. The financial industry was especially dynamic, with

more than 55 billion yuan in society's savings deposits, an 82.9 percent increase from 1991; deposits from urban residents reached 15.395 billion yuan, while loans attained 37.071 billion yuan in volume, a 32.5 percent increase over the year before. The sustained growth of the travel industry continued its momentum, with an income of more than 2.1 billion yuan in foreign exchange; this was a 93 percent increase from 1991. Posts and telecommunications, as well as transportation, were industries that moved forward steadily in 1992: the post and telecommunications services showed a total volume of 1.1 billion yuan, a 32.9 percent increase over 1991; freight transport reached 4.52 million tons, a 24.2 percent increase; there were 79.52 million passengers carried, a 46.5 percent increase; the volume of harbor freight handled reached 171.22 million tons, a 9.6 percent increase; and there was a total of 32.94 million telephone calls placed in the city last year, a 30.6 percent increase.

(Increased value here indicates the pure value of what was created or received; it excludes the output value after cost depreciation, etc.)

AGRICULTURE

Localities Fail To Ease Burdens of Peasants

93CE0353A Beijing JINGJI RIBAO in Chinese

[Article in two installments by Xu Baojian (6079 1405 0256): "A Perspective on the Peasants' Problems" Part 1: "When Will the Chaos End?"; Part 2: "How the Problems Have Been Reduced Without Being Lightened"]

[19 Feb 93 p 5]

[Text] China's reforms were first implemented in the rural areas, and that is where the greatest achievements in the reforms have taken place. This is universally acknowledged. However, while the reforms have entered a new historical phase, with the current fervors for service industries, for open development zones, for household production, for this or that enthusiasm, etc., the contradictions between agriculture and the rural villages are becoming increasingly apparent: the peasants' income is increasing slowly, there is increasing incidence of their receiving "IOU's" for agricultural by-products, a vicious circle of over-planting has reared its head, the peasants' are shouldering a heavier burden, ever-increasing numbers of them are abandoning the fields, etc. The many problems have not only caused a loss of rights and benefits among peasants in the first steps of reform, they have also infringed upon and deprived the peasants who are pursuing benefits. The especially troublesome problem has been that of the peasants' excessive burden, which for some years now has been reduced without being lightened, leading this societal contradiction to an acute, sensitive, and serious degree.

"You Collect From Me, Collect From Him, and Collect the Peasants' Concern; You Plan on Me, Plan on Him, and Plan the Peasants' Worry"

The peasants' burden is a reflection of the benefits allocation relationships among the nation, the collective, and the peasants. A reasonable national burden for the peasants should be determined along a legal and contractual model. The State Council's "Regulations Concerning the Handling of Peasants' Expenses And Labor" stipulated that the "overall direct payments made by peasants to collective economic organizations shall not be more than 5 percent of the peasants' per capita income for the previous year." In actuality, most localities have been unable to adhere to this limit. The peasants' extra-contractual burden has been even more out of control, chiefly demonstrated by random collections, arbitrary fees, and indiscriminate assessments.

Looking at collections, most localities have more than 20 items for which they collect. Last year, some of the townships in Jiangdu County, Jiangsu, suffered from a flood. The peasants' per capita income was only 376 yuan, but last year the peasants' in-contract burden was 10.6 percent of the previous year's per capita income. When the fees for various services were deducted, there were still 10 collections for school operations. In many places, there are numerous channels for collections for cultural purposes, which have turned into channels for raising money from the peasants.

In some localities, the peasants' attitude toward indiscriminate collections is as extreme as that expressed by one peasant in Northeast China: "It's all-purpose: whatever it is, they'll collect for it." A peasant in Sichuan's Cangxi County expressed it in an antithetical couplet. The first line says, "You collect from me, collect from him, and collect the peasants' concern." The second line of the couplet put it, "You plan on me, plan on him, and plan the peasants' worry." On the horizontal scroll between the two lines of the couplet was written, "A big mouth breathes deeply."

"Small Four-Wheelers Cannot Move So Many Fees; the Party Should Not Allow Indiscriminate Collections"

Excessive and indiscriminate fee collecting is an important reason why the peasants' have an excessive burden. According to a survey by a State Council survey organization, the peasants have reacted most strongly to three collections:

One is indiscriminate collecting of school fees. According to incomplete collection figures, in addition to their tuition and textbook fees, village elementary and intermediate students must also pay 31 miscellaneous fees in varying degrees. A survey in Fengyang County, Anhui, showed that in the first school term, new first grade students in the county's experimental school were assessed 352 yuan; after the first month's examinations, in accordance with the regulations for first-year school entrance, they were given a 200 yuan refund, but those

who had entered school earlier received none. Elementary and intermediate schools in Xifeng County, Liaoning, make nominal work-study payments in either funds or articles to students or parents. The regulations which established the county's new elementary school stipulate that in addition to paying a 35 yuan work-study fee, each elementary student must hand over 15 kg of vegetables, 150 silkworm cocoons, 5 kg of scrap metal, or old shoe soles.

Faced with these multifarious collections, a significant number of peasant families have turned away from the schools in disgust. In some areas, especially impoverished areas, there is an increasingly serious problem of children being thus deprived of an education. Some peasants say that in the past their schools were like a pool of clear water, but now the water is muddied.

Laboriously saving money to build a new house is the peasant's fondest dream. However, the fees for residential land and rural residential construction are rising constantly, with more than 11 fees now being collected that are just related to land and taxes. In Anhui's Fengyang County, a peasant building a home has to pay nine taxes which relate to ditches in their township or other locality.

Third are arbitrary fees concerned with agricultural machinery. In the last two years, there have been a growing number of fees for agricultural use of tractors. According to a survey taken in the town of Gongzhuling, Jilin, there are 20 separate fees connected to a "small four-wheeler" tractor. At present, this town's 280 "small four-wheelers" are for the most part out of operation. Faced with this, families owning agricultural equipment cry out in appeal, "Small four-wheelers cannot move so many fees; the Communist Party should not permit indiscriminate collections."

"As Departmental Reform Deepens, the Mass of the Peasantry Increasingly Fears Poverty"

Just as with indiscriminate fees and collections, a growing number of peasants are growing to hate the various kinds of assessments to which they are subjected. Their reaction is especially strong towards assessments for newspapers and magazines, insurance, and compulsory services.

According to a spot check carried out in 32 villages in Northeast China, a village will subscribe to more than 34 newspapers and magazines during the year, with a general outlay of 3,000 to 5,000 yuan. Hehe Township, Gaotang County, Shandong, had 36 such subscriptions, expending a total of 9,569 yuan at the township and village levels, or 3.17 yuan per capita. The party committee of Jiaoji Township, in the city of Dengzhou, made a formal announcement that every township cadre must subscribe to a party newspaper for that region; if they did not subscribe, this would bring about a loss of qualifications for those preparing for party membership or those interested in joining.

Compulsory fees are chiefly reflected in such areas as showing films, livestock and fowl disease prevention, provision of production materials, etc. The cadres in Pinetree Village, Xifeng County, Liaoning, responded that in order to resolve the difficulties the peasants in Pinetree Village, Xifeng County, Liaoning, were having from seeing movies, last year the County motion picture company scaled back the County's quota of movies to 100, at 28 yuan per film, a total outlay of 2,800 yuan. In many localities in Sichuan, fees for livestock and fowl disease prevention are levied on a per household or on a per person basis; regardless of whether it is for raising the animals or for inoculation, fees are levied per capita. In the provinces of Jiangsu, Henan, and Hunan, peasants responded that supply and marketing co-operatives and agricultural machinery popularization departments for the most part only see the fees collected, and not the services. Or, there is a high level of fees collected for a low level of service.

Faced with such a wide array of assessments, the peasants can only cry out helplessly, "While joint production contracts are good, the peasants' burden is not lessened; as departmental reforms are deepened, the mass of the peasantry increasingly fears impoverishment."

In addition, with the growing intensity of the various departments and various companies fleeing from reality in their levying actions, with the peasants paying and the departments raking in the profits, the rural village cadres and the mass of the peasantry have become totally disgusted. They say, "They levy here, they levy there, they take from the peasants' pockets; they go after everything in a big way, and it's all the peasants' blood and sweat."

[26 Feb 93 p 5]

[Text] "The Peasants' Are Stretched to the Limit"

The peasants' burden has been cut, but not lightened. This has not only seriously endangered enthusiasm for production among the great mass of the peasantry, it has retarded the pace at which they pursue a fairly comfortable life, and has worsened the relationship between party and cadres. In some places this societal contradiction is quite prominent.

Because of the excessive number and amount of fees collected, it is very hard for the peasants to make all their payments on time. As a result, some localities have set up "collection brigades," or "shock troops," which go to the peasants homes to dun them for payment. Some even bring along handcuffs and billy clubs. If the peasants cannot pay in full, the collectors take away food and furniture.

Last May, when a township cadre arrived at her home to remove a television set because of her 99 yuan educational debt, Pan Qunying [3382 5028 5391], a peasant woman in Xinyan Township, Xiangxiang, Hunan, drowned herself in a pond. Last March, Fan Zhefu [2868 0772 1381], a peasant in Bailizhou Township, Zhijiang

County, Hubei, committed suicide over his excessive burden after appealing to the province for relief. In December, it was discovered in Pingyu County, Henan, that a peasant named Cai Yutang [5591 3768 1016] had hanged himself because of his excessive burden. As for appeals, such means of protest as the display of big character posters is becoming increasingly common.

One hopeful development is that in some places, the peasants are starting to use legal weapons to defend their benefits. Recently, the court in Lezhi County, Sichuan, held public hearings on three cases in which peasants sued to not "fulfill obligations." The court found for the peasants in all three lawsuits. However, this does not mean that courts everywhere are supporting the peasants. Last November, six peasants who found their obligations unbearable took the town's government to court over what they considered indiscriminate collections and arbitrary assessments. To date, the court has yet to issue its opinion in the case.

At the end of last year, an organization of the State Council which is investigating the peasants' burden conducted a survey in rural areas in various localities. With a heavy heart, some of the responsible comrades said later, "The rural villages have become like a stack of dry firewood, and the peasants are stretched to the limit." A provincial-level leader in charge of rural work warned that, "If this keeps up, when the blowup finally does occur it may be impossible to set right again."

"The Documents From Central Authorities Are Very Good, But Those From the Departments Are Vicious"

To lessen the peasants' burden, the State Council has issued the "Regulations," and sent out notices. The Council certainly has given this their attention. So why is the peasants' problem basically still unresolved?

Looked at from an ideological standpoint, the problem is how the peasants are viewed and treated. Agriculture is the foundation of the national economy, and the peasants are the basic force behind this foundation's implementation. However, a great many people in their minds still look down on the peasantry, so they cannot look at things from the peasants' view, and protect the latter's legitimate rights. Methods that they cannot employ with 200 million urban residents, they will employ with 900 million peasants; things they would not dare do to 200 million city dwellers, they will do to 900 million people in the countryside.

It is true that 10 years of reform have brought about a marked increase in the peasants' income, especially through the development of rural enterprises. Indeed, in some places the villages have become quite prosperous. Still, many people have a flaw in the way they think about the peasantry, and when the topic of rural enterprises comes up, they think of them like rich oil sources to be drilled. Therefore, in order to overcome the lack of

funds for economic development and departmental construction, they just dun the peasants with collections and assessments. Simply put, they are soaking the peasantry. "City dwellers look at the villages with jubilation, while the country people view the villages with worry," has become a clear-cut distinction.

A definite cause of the peasants' excessive burden has been the departments' growing avariciousness. At present, a fundamental means of resolving departmental funding shortages is to collect from the peasants. Some departmental and local government documents are openly in conflict with the State Council's "Regulations"; orders are ignored, prohibited practices go on unstopped. Peasants and grass-roots level cadres say, "Documents from the central authorities are very good, but those from the departments are vicious."

The peasants' excessive burden has been created by a defective cadre management system, government actions which do not conform to standards, and a lack of punitive power by supervisory personnel.

Many Peasants Still Don't Know the "Regulations" Well

The State Council's investigatory body queried 1,186 cadres above the township level, and 1,284 peasants and cadres in village organizations on the implementation of the "Regulations." They found that the majority of the peasants still lack a thorough knowledge of the "Regulations."

The questionnaire responses showed that: 34 percent of the peasants are still unaware of the State Council's "Regulations"; 39 percent did not know of the clause which stipulates a 5 percent limit, nor did they know that the State Council had stipulated a limit on the amount of obligatory work the peasants must do or how much of their labor could be accumulated, nor were they aware that they could refuse to do anything in excess of these amounts. Other findings: 48 percent did not know which department above the township level had supervisory control of the peasants' obligations; 44 percent of the peasants queried did not know how to safeguard their own legal rights, while a fairly large number stated that "knowing these things is useless" or that "I know, but I'm afraid to say anything"; 35 percent of the peasants were unaware that they had any legal recourse concerning fines levied on them or concerning entitlements they have not received. A very important reason for this situation emerging is that a large segment of the rural cadres subjectively hope that the peasants do not master the "Regulations," for "otherwise, it will be even more difficult to get our work done."

Article Discusses GATT, Agricultural Trade Policy

93CE0354A Beijing GUOJI SHANGBAO in Chinese
27 Feb 93 p 3

[Article by Wang Yuping (3769 3768 1627): "Light Talk on the General Agreement on Tariffs and Trade Standards and Chinese Agricultural Product Foreign Trade Policy"]

[Text] Although the Uruguay Round that has caught everyone's attention has been further delayed by differences of opinion on such issues as agricultural products, the Uruguay Round final (draft) agreement has already been completely drawn up. This means that no matter what the results of various compromises in the finally concluded agreement, the overall plan will not be greatly changed. In the agricultural product plan, even if some modifications are made, it would only be such things as adding to or reducing the bases. For example, making some compromises on some specific issues such as reduced data and annual limits on domestic production supports to balance various interests. It can be said that the agricultural product (draft) trade agreement is essentially to lay the framework in this century for a General Agreement on Tariff and Trade system for trade and revenue from world agricultural products. China was a party to the Uruguay Round negotiations and with the restoration of China's GATT seat, we should begin now to gradually adjust our agricultural product external trade system to gradually conform to GATT standards to meet the requirements for liberalization of world agricultural product trade.

1. Domestic production supports. Because China is a developing country, various direct production supports to the agricultural sector are permitted. So, we can use various types of financial assistance from the treasury to improve the agricultural sector labor productivity and improve the standard of living, but we cannot use the term export earned exchange directly to avoid raising objection to direct export subsidies. At the same time, after developed countries have abolished some domestic agricultural production supports, because domestic producers' production costs increase, the volume of production will be reduced and imports will increase or exports will decrease. They must make some concessions to the international market. China's agricultural product and trade sectors should, therefore, take advantage of this favorable opportunity to formulate a plan to further encourage production of such "sensitive" agricultural products as rice, beef, sorghum, wheat, and dairy products, and while constantly improving the rate of production, based on different countries' markets, get into the market as quickly as possible and earn more foreign exchange. Moreover, these agricultural products are experiencing rather large price increases in the liberalization of trade.

As far as long-range development strategies are concerned, China's agricultural product external trade is not

just principally export, but both import and export and even principally import for certain food products. With one fifth of the world's population, China must maintain its domestic agricultural production and not collapse under the assault of foreign agricultural products. Thus, the entry of foreign agricultural products into China's market should be gradual. If the share is too great and it attacks China's agricultural product market, we should investigate whether the exporting country is giving direct financial support to these products, and if they violate the agricultural product agreement, we should, through GATT, refuse to import or raise the tariff.

2. Export subsidies. On this issue we should first make it clear that China is a developing country with a low per capita share of the GNP. In this way, when we reduce agricultural product export subsidies, we can appropriately reduce the implementation or even temporarily avoid implementation. Subsidies are presently widespread on the international agricultural product market. If we had no subsidies at all, it would be very difficult to compete with the same type of foreign product. Certainly, when we implement subsidies, it is best to use financial assistance to the agricultural production sector and avoid as much as possible giving direct subsidies to the agricultural product trading companies, because developing countries' production supports are permitted. Certainly, after subsidies to agricultural trading companies are reduced or eliminated, they could suffer losses, but they can get corresponding compensation on the purchase price. In giving support to the agricultural production sector, we cannot do it in the name of export results, but we should clearly list the reason as improving the labor production rate and producer income levels.

As far as import of agricultural products is concerned, importing an appropriate amount of low-priced, subsidized foreign agricultural products can reduce the amount of foreign exchange used and work to our advantage. But if it exceeds a certain amount, it constitutes a threat to the domestic production sector for the same product and should be immediately stopped.

3. Market entry. Regarding agricultural products without regular tariffs, according to stipulations, we can flexibly set the level of tariff restraints. When Chinese agricultural products enter another country's market, the developed countries have provided greater opportunities for especially profitable agricultural products from developing countries to come in. So, when we consider some large, exchange earning Chinese products, such as meat and meat byproducts exported to Western Europe, or cereals (rice, corn, soybeans) exported to Japan and South Korea, we can demand that they improve conditions for entering their markets. These conditions include that they lower tariffs and gradually eliminate nontariff barriers and implementing an extremely low volume of imports. Because the minimum entry opportunities are realized in accordance with most favored nation tariff quotas, we should pay special attention to the level of favorable treatment that the countries that are importing the agricultural products give to other

countries. According to the (draft) agricultural product agreement, the minimum entry opportunities should be not less than the average import volume for 1986 through 1988. So, on this basis, we should use reason to argue strongly.

4. The environment and animal and plant hygiene. On this issue, we should work well in two aspects. Regarding agricultural product exports, we should enhance the quality of inspections and improve the level of inspections, and as much as possible base them on the standards of authoritative international organizations. We should increase the quality consciousness of agricultural product producers, managers, and merchandise inspection departments and use the strictest inspection standards permitted by GATT on imported agricultural products to protect the domestic environment and the people's health and not harm animal and plant life.

Restrictive measures regarding the environment and animal and plant hygiene are customarily used by developed countries to restrict export of agricultural products from developing countries, especially in recent years. There are some permitted by GATT that are truly needed to protect human and animal and plant life and health, but there are even more that are required to protect the country's agricultural product market. In addition, the inspection standards of various countries are inconsistent. So, in this respect implementing restrictions on international agricultural product trade produces an extremely negative effect. Especially with developing countries' agricultural product production and processing technology and inspections levels relatively low, when they trade with developed countries, they are placed in an unfavorable position. For example, with Chinese rice, Japan uses excessive pesticide content to refuse it entry and can goods exported to West Europe, because they cannot meet the demands of some physical or chemical indicators, are refused entry. So, the Uruguay Round agricultural product agreement unifies some standards and proposes giving different treatment to developing countries. This is advantageous to China. But it should be noted that international hygienic standards for food products are getting stricter every day. This requires that the Chinese agricultural product processing sector and export sector and inspection bureaus together be strictly on guard to avoid creating unnecessary losses. Certainly, when considering some developed countries which use their own domestic standards to

refuse Chinese agricultural products entry into their markets, the health inspection department should initiate meticulous scientific evidence to argue strongly from reason. At the same time, we should use our status as a developing country to emphasize production level differences when considering agricultural product exports to seek different treatment and in the next couple of years we can delay the use of agreement provisions.

5. Establish an agricultural product trading chamber of commerce (association). The organization would be civilian in nature and it would function to coordinate domestic agricultural product foreign trade and gather information on international agricultural product trade and would be responsible for resolving trade disputes between the Chinese agricultural product trading sector and foreign agricultural product traders and fighting for the interests of the Chinese agricultural product trading sector in accordance with GATT agricultural product trading standards.

6. Open up a multiple variety, multiple country agricultural product trading market. The focus of several General Agreement on Tariffs and Trade agricultural product agreement disputes has been on a few "sensitive" agricultural products such as wheat, rice, beef and dairy products and there has been less attention on a few "nonsensitive" agricultural products. So, some of China's traditional agricultural product exports, such as tea, should be vigorously developed. There also are some products, such as fresh flowers, that have seen a new upsurge in recent years. While holding firmly to the foreign competition of the sum total of products, diversified development of some traditional product exports also can encounter a little less trouble in international trading and at the same time it can attain the goal of earning more foreign exchange.

As regards the orientation of China's agricultural product exports, in the past we mainly concentrated on such countries and regions as Hong Kong, Korea, Japan, and the former Soviet Union. Generally speaking, one type of commodity was excessively concentrated on a few markets and numerous trade barriers were encountered. By appropriately dispersing trade, trade risks can be reduced and the volume of trade can be expanded and more foreign exchange can be earned. Moreover, small batch agricultural product trade very seldom receives General Agreement on Tariffs and Trade agreement trade sanctions.

Infringements of Property Rights Listed

93CM0222A Beijing FAZHI RIBAO in Chinese
28 Feb 93 p 3

[Article by Jiang Ming'an (1203 2494 1344), assistant professor at Beijing University's Department of Legal Studies: "Study and Resolution of Real Infringements on Civil Property Rights Should Be Emphasized"]

[Excerpt] Since the beginning of our seminar on "Legal Protection of Civil Property Rights," we have received letters from many citizens throughout China, reporting many facts about their property rights that have been infringed upon. In reading these letters, we have discovered in the various reported property-rights-infringement facts certain rather widespread problems. So we are passing on in this article the following most-reported problems:

1. Private building property rights. The letters reported the following major problems in this area: (A) In the course of renovating old dangerous urban buildings or making compensated land transfers to foreign and Hong Kong firms for the construction of the three kinds of foreign trade enterprises, private landlords are neither notified or consulted, with administrative organs or their subordinate development companies reaching independent agreements with prospective private renters to demolish and remove private-landlord rental buildings, and then after the fact simply paying the private landlords very little or even no compensation. (B) While private building rents are set far too low to cover the three costs of depreciation, maintenance, and management, pertinent regulations mandate that landlords keep rental property in repair, leaving landlords unable to make repairs and tenant units paying repair costs, which landlords must then repay even after their buildings have been sold or requisitioned. (C) Mandated unlimited-term leases lead to the misuse of rented private property by tenants in ways, such as subleasing, lending, leaving unused (warehousing), using for other purposes, arbitrarily rebuilding, and destroying original construction features. And landlords are not permitted to evict tenants even for such abuses. (D) When private buildings are requisitioned or dismantled and removed, evaluations are too low. One private landlord in Beijing reports that his 400-plus-sq-m building of more than 10 apartments with completely private courtyards was appraised at only a little over 16,000 yuan, while the cost of such an apartment building is more than 100,000 yuan.

2. Arbitrary fees, charges, and fines. The letters report the following major problems in this area: (A) In rural areas, a variety of fees are collected on numerous pretexts, which severely violate the State Council's "Regulations on Peasant Liability for Costs and Labor Management." Some charges have no basis and are highly arbitrary, others have criteria that are not public so that peasants do not know about them, while yet others have public criteria that are not enforced for a variety of reasons by the pertinent organs and departments, which

arbitrarily raise the criteria. (B) When handling legal licensing certification procedures or other matters for citizens, authoritative organs and units extort cash and material bribes or various "advantages" from citizens, refusing to handle the procedures unless the cash and material bribes or advantages are provided. (C) There are too many and duplicate fines. Some administrative organs fine for the sake of collecting fines, with their objective being not to redress and sanction illegal activities, but rather to "increase their revenues." It is common for one organ to collect multiple fines for a single action, as well as for many organs to fine a number of people for one action. Fines for violators extend sometimes to fines for their units and relatives, even to the point where pretexts are concocted to fine actions that are not prohibited by law or regulation and do not have legally-set fines. (D) In jobs such as family planning, pertinent laws and regulations are violated, with improper confiscation, sealing up, detention, or even destruction of civil property.

3. Authoritative figures infringe on "rights" with their "authority." Many letters report that certain cadres, and even senior ones and their dependents, misuse their authority to infringe on civil property rights as follows: (A) In order to extend their private housing, some authoritative figures devour their neighbors' residential bases. After they carry out illegal construction beyond their own housing space or in passageways shared with neighbors, they then force their neighbors to concede further rights of way, with some even figuring out ways to frighten away, crowd out, or evict their neighbors. (B) Some authoritative figures abuse their authority to eat and take food and property from those under their control, even demanding cash and material bribes from their subordinates. (C) Some authoritative figures build private houses and conduct private affairs, demanding uncompensated forced labor from their subordinate "subjects." This is particularly rampant in rural areas. (D) When arbitrating property disputes between authoritative figures and ordinary citizens, administrative organs clearly favor authoritative figures, using a variety of methods and pretexts to arbitrate in their favor. And even when the courts handle such civil disputes, some judges completely disregard the sacred impartial image that the courts should have, deliberately favoring the authoritative party.

4. Administrative compensation and property return. Our correspondence reports the following key problems in this area: (A) Policies on the return of property that was illegally confiscated during the cultural revolution have not yet been completely implemented. In particular, some government revenue departments refuse to return for a variety of reasons property, such as gold and silver jewelry that some litigants had buried or hidden in walls. (B) The illegal seizures or damage of civil property by administrative organs or their workers have either not been suitably compensated or not compensated for at all. (C) Administrative organs refuse to return illegally collected tax overpayments. While the administrative procedural law provides that administrative organs must

return improper fines and legally pay administrative compensation, with refusals being reported by the courts to banks for mandatory transfer, most courts simply report to banks for mandatory transfer fines or tax payments that citizens should pay to administrative organs, rarely reporting to banks for mandatory transfer the improper fines, excess taxes, or compensation funds that administrative organs should return to citizens.

5. Administrative rights-infringement litigation. Our correspondence reports the following key problems in this area: (A) Administrative organs keep litigants from bringing administrative lawsuits against rights infringements with methods such as not dispatching administrative-determination documents (such as fine-ruling documents), not informing of the right to sue, and not responding to administrative-reconsideration applications. (B) Plaintiffs are attacked and retaliated against afterwards, running into difficulties everywhere and made to "feel the pinch of abuse of power." (C) Courts refuse to hear or respond to litigants' suits, which keeps citizens from ultimately obtaining legal redress for property-rights infringements, and prevents the established legal-protection mechanisms for civil property rights from being effective. [passage omitted]

First Primary School for Aristocrats'

93CM0223A *Guiyang GUIZHOU RIBAO in Chinese*
19 Feb 93 p 7

[Article reprinted from ZHONGGUO FUNU BAO on 31 January 1993 by Hou Jiangang (0186 1696 0474): "China's First Primary School for Aristocrats"]

[Excerpts] [Passage omitted] The Dujiang Yan Municipal Education Department approved on 16 June 1992 the establishment of the private Guangya (Bright Asia) Primary School.

On 18 June, the school requisitioned 300 mu of land and held its foundation stone laying ceremony.

On 8 July, it began to officially enroll students.

In early July, a Sichuan newspaper carried a recruitment ad for the private Guangya Primary School, which exploded like a cluster bomb, setting off intense shock waves in Chengdu City, and even throughout Sichuan Province.

The alluring ad asserted that the school was drawing on advanced teaching methods in countries and regions, such as Hong Kong, Taiwan, Singapore, the United States, Great Britain, and France, engaging and putting in charge of educational administration foreign and domestic children's-education professionals and professors, hiring college graduates as teachers, and appointing preschool-education graduates as full-time child-care teachers. The school's daily teaching activities would be conducted all in English, with graduates achieving the verbal English fluency of an average college undergraduate, and vacation visits with foreign students being

arranged for pupils. Graduates will be admitted based on excellence to U.S. high schools as self-pay students, or promoted directly to the Guangya High School, or recommended to key provincial schools.

The school will be equipped with an indoor gym, a world-class soccer field, an athletic field with a 400-m track, two standard-size tennis courts, a 100,000-book library, a lunch room, a nutrition office, a medical clinic, and an educational TV station. Classrooms will have toilets, air conditioning, carpets, 28-inch color TV's, VCR's, and pianos, and pupils will be driven to school and back home in buses

The enrollment fee will be 18,000 yuan per pupil, plus a nutrition charge of 1,800 yuan (a school year), charges for items, such as insurance, medical treatment (excluding hospitalization), articles for daily use, study materials, water and power, transportation, name cards, school services, and pajamas, totalling 2,400 yuan (a school year), with free tuition and books, for a total of 22,000 yuan.

An incident occurred not too long ago in Chengdu, in which certain government-run schools low on school funding asked to borrow 300 yuan each from parents, who assembled at the municipal government gates in protest. So would public opinion be able to stand a private elementary school demanding 22,000 yuan right off the bat?

On the first day of enrollment, many arrived at the enrollment site angrily asking Principal Qing Guangya [0615 0342 0068] "whether he was running a school or a hotel!?"

With much grumbling and complaining about "at such rates, just who is being served?," up to 1,000 enrollment forms were still snapped up. And by the end of July, 162 pupils had been enrolled for the first term, far exceeding the anticipated 100.

By mid-September, the school's first 80-mu of capital construction was basically completed, with six classroom units, two pupil dormitories, a dining room, and bathrooms fully ready.

On 18 September, the private Guangya Primary School held its opening ceremonies.

While the school had rented five or six buses to take the pupils back and forth to school, most parents still drove their children to the school in their own private cars. One observer estimates that about 250 cars were driven to the Guangya School alone on that first day.

The media was brimming with enthusiasm about the Guangya School, including a large group of "foreigners," such as the U.S. Consul in Chengdu, who arrived with flags flying. [passage omitted]

It is understood that over 60 percent of the parents of Guangya's first group of 162 pupils are self-employed with family assets worth up to 1 million yuan. While it

would not be overdoing it to say that they are the epitome of the *neuveau riche* stratum that has emerged through China's reform and opening—as they have long been managing with ease in the marketplace, their personal quality, educational accomplishments, and living habits are so far out of line with their wealth that it could even be said that many of them are educational priorities and problems *per se*.

When one female teacher carelessly misgraded a girl pupil's math paper, the father actually went to the school and cursed the teacher, forcing the school to order the pupil out of the school. It was only as this girl was tearfully leaving the new friends that she had just made that her father realized that it was too late to repent the irreversible consequences of his harsh words.

The school's eating and drinking principle of "a full breakfast, a good lunch, and a sparse dinner," which was drawn up for the children by its famous nutrition professor, had actually left these little emperors who had always eaten at will at home crying from hunger pains at night. And the resultant complaints by parents stopped only a month later when their children had begun to gain weight again.

One fourth-grade pupil at Chengdu's best grade school was put back to Guangya Primary's second grade. While his former fourth-grade test scores were all above 90, and he had been his school's "third-ranking pupil," he actually scored only 36 on Guangya's second-grade entry exam. It was only this child's father who knew that the truth about his child's previous "third-high rating" and 90-plus scores was the father's generous contribution of 50,000 yuan to his child's former school.

In order to eliminate grade pressure on pupils and parents, Guangya used the A, B, C, D grading system for a time. But under pressure from many parents and competition from other schools, Guangya has now been temporarily forced back to the percentage system. [passage omitted]

As the Guangya Primary School is named for its principal, Qing Guangya, what sort of a person is he?

He studied with Sichuan Province's Sichuan Opera Troupe in his youth, later becoming a photographer for the Sichuan Education Department. He has played the violin, acted, written plays, and directed a TV series. In the Year of the Monkey in 1992, his birth-sign year, he changed his profession to principal of the Guangya Primary School. Qing Guangya confesses freely that "the Guangya Primary School proceeds from those who agree with my educational views, and serves the special families who are willing to pay my high fees."

He had long heard his fill in recent years of China's only-children being called "little emperors" and "little suns," with the responsibility being not the children's, but rather the social and family structures of today's China. So he thought that he would try to create an environment for them that would suit their natural

development, while overcoming their defects of being "little emperors" and "little suns." This was his motivation for setting up such a "primary school for aristocrats."

The Dujiang Yan municipal leadership was very enthusiastic about Qing Guangya setting up a school right from the start, with Municipal Party Committee Secretary Xu Zhenhan [1776 2182 3352] telling him that "it will be difficult and risky for you to set up a private school." As to the founding of the Guangya School, Xu Zhenhan specially presented those in charge of the Municipal Education Department with the six-word formula of "provide more support, and interfere less."

But this was all the support that was given, proof of which is that Sichuan and Chengdu Party, government, and Education Department officials were certainly not in a hurry to take a stand on such a "primary school for aristocrats," none of whom attended its opening ceremonies about which the media was so ducky.

But just as the great philosopher Hegel said that all existence is rational, the birth of the Guangya Primary School was certainly in response to a social need, and is certainly meeting the urgent needs of some members of society.

Guangya announced when it first began enrollments that the first group of pupils would pay an enrollment fee of 18,000 yuan and living and study charges each school-year of 4,200 yuan, which figures for future enrollments would go up to 36,000 yuan and 8,400 yuan, respectively. But even these huge doubled fees have been unable to frighten away large numbers of the wealthy.

Leshan's Quanfu Breeding Co Ltd President Chen Bozhen [7115 0590 4176] numbers among these wealthy people. Once Guangya went into operation, he put in mid-term his six-year-old son and nine-year-old daughter into its first and second grades, costing him a lump-sum payment of 88,000 yuan.

He tells reporters that "as we cannot do well by our children at home, we are very reassured to have them here at Guangya. The tens of thousands of yuan that we spend now is actually a small cost, which will save us much more later."

Although the Guangya Primary School has aroused much controversy since its establishment, it has not actually cost the country a cent, while attracting so much wealth. As to this controversy, we might as well learn from the magnanimity of the local leadership, by letting practice be the test and history the critic.

NORTHEAST REGION

Work Report of Jilin Provincial Higher People's Court

93CE0343A Changchun JILIN RIBAO in Chinese
7 Feb 93 p 2

[Report by Yang Qingxiang (2799 1987 4382), acting president of the Jilin Provincial Higher People's Court: "Work Report of the Jilin Provincial Higher People's Court (Excerpts)—Delivered at the First Session of the Jilin Provincial Eighth People's Congress on 14 January 1993"]

[Text] Fellow Deputies,

I am presenting before the congress major tasks accomplished by the provincial courts since the First Session of the Provincial Seventh People's Congress.

In the last five years, under the leadership of the party committees and the supervision of the people's congresses, the province's courts have acted in the spirit of the 13th and the 14th National Party Congress, upheld the party's basic line of "one core and two basic points," liberated our thinkings and sought truth from facts, strengthened our judicial work and strived to raise our law-enforcement standards, and have completed our judicial tasks fairly successfully. Up to the end of November 1992 (same below,) we have dealt with 538,230 assorted cases and closed 526,439 cases, at a case-closing rate of 97.8 percent. We have provided effective legal service and legal protection to safeguard the state's and society's stability and to promote thorough reform and further opening up and accelerate economic construction.

I. Resolutely Safeguard the State's and Society's Stability

Acting in the spirit of the Party Central Committee and the provincial party committee's plans, the province's people's courts at all levels have further strengthened their dictatorial functions and have complied with the guiding principle of severe and swift application of the law and have continued their "harsh crackdown" and struggle to safeguard the country's and society's stability to create a good social environment for reform and opening up and modernization. In the last five years, we have handled 74,338 first- and second-instance criminal cases, and we have closed 72,633 cases—at a case-closing rate of 97.7 percent—and have sentenced 73,796 criminals. We have crushed the criminal elements' rampant arrogance and effectively safeguarded public security and social order. We have continued to comply with the guiding principle of harshly punishing criminal elements bent on ruining the economy. Among the criminal cases already wrapped up, 11,138 were economic crime cases; 14,537 people have been sentenced. By cracking down on economic crimes, we have saved the state and the collectives 29.61 million yuan.

In the "harsh crackdowns," the courts at all levels paid attention to analyzing public security issues and started out from local conditions to crack down on whatever crimes that needed cracking down and focused on the critical areas. In particular, we paid attention to cracking down on the bosses of organized crime and other prime culprits, hardened criminals, repeat offenders, and hooligans. We meted out harsh punishments where harsh punishment was called for and death sentences where capital punishment was needed. At the same time, we focused on some prominent public security issues which the masses had been most upset about, and we engaged in special struggles against embezzlers of public funds, saboteurs of power and communication facilities, farm and animal poachers, and poachers and irresponsible cutters of forest trees. In the struggle to rid society of pornography, eradicate the "six evils," and crack down on thieves and robbers, the province's courts and other political and legal institutions and relevant departments worked closely together, took swift action to punish a group of criminal elements, and have won the support of the general public, and we have since pushed our struggle even further. In our struggle, we paid attention to making use of public trials and the news media and other effective means to publicize the legal system and increase the social effects of law enforcement.

In dealing with criminal cases, we upheld the principle of "using facts as basis and the law as criterion"; we implemented the responsibility system at every level, diligently guaranteed quality in every case, correctly distinguished between guilt and innocence, separated one crime from another, and made a distinction between serious crime and minor misdemeanor to ensure quality work. In particular, when it came to economic crimes, we upheld the principle of being "resolute and cautious and aiming to be accurate" and drew a distinct line between mistake at work and deliberate crime, between ordinary violation and criminal offense. While we protected and supported normal, legitimate economic activities, we restricted and sanctioned illegal and criminal activities. In meting out appropriate punishments, we relied on the policy of combining harsh punishment with leniency and made sure that the punishment fitted the crime and severity was balanced by leniency. Where the law had allowed for light or reduced sentences or exemptions, we would give full expression to that policy and mete out light sentences according to the law to divide and demoralize the criminal elements. In our "harsh crackdowns," we complied with the request of the Central Commission of Political Science and Law to sentence to probation those who had committed minor crimes, who had shown remorse, who would not pose further harm to society, and who had done good work at the grass-roots level. The policy has produced good results.

II. Consciously Serve Reform and Open Up and Economic Construction

To satisfy the needs of reform and opening up and economic construction, the provinces' courts at all levels

tightly wrapped around economic construction and integrated that into their judicial work and launched a drive to provide different types of legal services. We gave full play to our functions and utilized legal means to regulate economic relations and strived to raise our service quality and standard. In the last five years, we have accepted 84,276 first- and second-instance economic dispute cases—2.6 times the number handled in the previous five-year period, and 2.64 billion yuan were involved in those cases, and we have wrapped up 82,630 of the cases, at a case-closing rate of 98 percent. We have provided the effective legal safeguard for smoothing economic and legal relationships, protecting economic order, and promoting economic prosperity and stability. Since August 1988, the province's courts have been enforcing the law to collect all loans in arrears and have collected more than 101 million yuan. We have played a positive role in helping the financial departments retrieve currency and enliven fund circulation. In view of the forestry industry's money problems and resource crisis, the province's 17 forestry basic courts have made an all-out effort to deal with the crisis and save the forestry industry. In the last five years, they have recovered more than 82 million yuan in timber money for the forestry enterprises, reclaimed more than 2,300 mu of forest land, and have contributed to the prosperity and development of the forest regions' economy. In serving economic construction, we have liberated our thinking, embraced new concepts, acquired a stronger sense of service, and have actively expanded the scope of services. One, we emphasized investigation and study, made sure we understood the needs, paid attention to analyzing and studying the economic situation and knowing the facts, and clarified the focal point and the direction of our services as we provided different services with a clear purpose in mind. Two, we volunteered our services and handled all cases personally. We took the initiative to go to enterprises to settle disputes and help them protect their legitimate rights according to the law. In the last five years, we have accepted 6,720 cases on the spot. Three, we coordinated various judicial activities and vigorously publicized the legal system. We have publicized the legal system 17,420 times through the news media, speeches, news releases, and case discussions and other means of propaganda, and we have gone directly to enterprises in different trades and systems 8,330 times to talk to more than 712,000 staff and workers, and we have lectured in enterprises on the legal system more than 370 times, and more than 18,500 people have benefitted from this kind of education. Four, we have set up a network to provide information. Most courts have forged judicial relations with enterprises, and we have installed 1,117 contact points in key enterprises and employed 5,758 liaison staff. We actively provided our consulting service to enterprises that might have legal problems in their economic exchange and business management. We helped enterprises check their contracts and held training classes for factory directors (managers) and business personnel to familiarize them with general issues and enhance their legal concept, so that they would consciously utilize legal means to

manage their economic affairs. Five, we made prompt judicial proposals whenever we uncovered problems. In our judicial work, we emphasized exposing loopholes and problems in enterprise management and administration and used effective ways to make timely legal proposals, and on major issues and matters of overall importance, we would prepare special reports. In the last five years, we have made more than 27,500 judicial proposals. The provincial court has reported to the provincial party committee and provincial people's congress on contract-related problems encountered in the commodity economy, on the general trend of enterprise bankruptcies, on legal bases and legal standards, and on social safeguard mechanisms, and its proposed measures and suggestions have been well-received.

The provincial courts have diligently implemented the civil laws and policies and have actively worked on civil court cases to correctly, legally, and promptly deal with civil disputes. We have protected the citizens' and the legal persons' legitimate rights according to the law and have sanctioned illegal activities, and we have worked hard to promote internal stability and unity among the people and promote the development of the socialist civilization and material civilization. In the last five years, we have adjudicated 359,690 first- and second-instance civil cases—2.3 times the number of cases in the previous five-year period, and 351,730 of those cases have been wrapped up, at a case-closing rate of 97.8 percent. We put the emphasis of civil litigation on the three most frequent types of cases—divorce, debt, and indemnity—and paid more attention to individual rights and copyright and other modern litigations. The province has made good progress with its work on administrative law. Most courts have set up judicial organs to deal with administrative laws and have created a strong team of administrative law cadres. In the last five years, we have adjudicated 2,211 first- and second-instance administrative law cases, averaging 4.1 times the number we had accepted in 1987, and we have wrapped up 2,079 of those cases, at a closing rate of 94 percent. Among them, public security, land, forestry, taxation and other administrative law cases have increased the most. In our administrative law cases, we paid attention to protecting legitimate rights of civilians, legal persons, and other organizations; safeguarded and supervised the administrative organs in carrying out their duties according to the law; and upheld the authoritativeness of the state's administrative organs.

In litigations and appeals, we paid attention to solving the masses' "lawsuit problems." The provincial court has promulgated the "Temporary Rules on the Jurisdiction of the Trial Court" to clarify who had jurisdiction over what type of cases and the standards for filing suits and to improve the legal procedure and system. In the last five years, we have received 815,655 visitors, 144,237 pieces of mail, and handled 17,715 appeals of all types—17,367 of them have been wrapped up, at a case-closing rate of 98 percent. Upholding the principle of seeking truth from facts and rectifying all mistakes, we

have redressed cases which indeed had been mishandled and have protected the citizens' lawful right to bring suit and other legitimate rights and have promoted social stability and unity.

Implementation of judgment is an important link in all litigation activities and is also an important way for the people's courts to serve economic construction. The province's courts have constantly strengthened their guidance toward the implementation of judgment and have set up special organs to coordinate matters inside and outside of the courts. We paid attention to publicizing the legal system, insisted on strict implementation, handled the relationship between the parts and the whole and between the sectors and the entirety correctly, and strived to overcome local protectionism, departmentalism, and interferences from all quarters. To promptly improve the passive situation that made "implementation of judgement impossible," in September 1991, the province's courts began to take centralized action and focused their efforts on implementation work and carried out judgment in 8,968 cases involving 180 billion yuan—more than 20 million yuan of which were retrieved from outside of the province. In early 1992, we promoted another "Year of Implementational Services" activity, and up to the end of November, the province has carried out judgment in 20,209 cases involving 230 billion yuan. We have safeguarded the sanctity of the law and uniformity of the legal system.

III. Take an Active Part in the Comprehensive Administration of Social Order

In the last five years, the province's courts have participated in the strategic task of comprehensive administration of public security as a way to secure the nation's permanent peace and stability. We have diligently reviewed our experiences, acquired a stronger sense of participation, strengthened our leadership, and have drawn up more measures to broaden our participation. In August 1991, the Supreme People's Court held a work conference on comprehensive administration in Jilin, and the provincial court and the Shuangliao County Court talked about their respective experiences.

In our participation in comprehensive administration, we upheld the principle of "whoever in charge is ultimately responsible" and emphasized compliance with the law in our participation and fulfillment of our duties and responsibilities. On the one hand we seized the crucial link of "harsh crackdown" and constantly increased our strike capability, and on the other hand, we made prevention a part of the entire judicial process. We emphasized both crackdown and prevention; we addressed the cause as well as the symptoms, but we emphasized the cause. We paid attention to nurturing role models and used the experiences of some to bring along the others. Shuangliao County Court participated in the comprehensive administration by strengthening its system and standards and perfecting its work mechanisms, and it has created the method of "prevention, educate-through-trial, follow-up education, reinforcement," and the results have been outstanding. The

provincial court promptly reviewed Shuangliao's experience and held an on-the-spot meeting to exchange ideas and pushed the court system's participation in comprehensive administration to a new height. Most courts at all levels have set up their own comprehensive administration work system, management-by-objective responsibility system, supervise-and-check system, and evaluation-and-reward system to define the responsibilities and goals of participation and to implement various measures and turn "soft" duties into "hard" duties. In order to make our participation more concrete, we complied with the Supreme People's Court's guiding principle of "reinforcement, substantiation, strengthening, and development," concentrated on grass-roots installations and the infrastructure to strengthen the people's tribunals' ability to participate in comprehensive administration. In the last five years, the people's tribunals have handled around 80 percent of the basic courts' cases and have mediated many simple disputes. At the same time, we have provided stronger professional guidance for the basic level mediation organizations and have given full play to the mediators' role as "first line of defense" in comprehensive administration work.

In our participation, we also focused on juvenile and youth crimes and have set up juvenile courts and tribunals which employed and invited special jurors and adopted judicial methods designed for juvenile cases. In the last five years, we have tried 5,272 juvenile delinquents—those eligible for suspended sentences were tried and given suspended sentences. At the same time, we have mobilized social forces to work on education, rehabilitation, and redemption to turn negative factors into positive factors, and we have had good results.

IV. Constantly Strengthen the Court Contingent

To guarantee the success of judicial work and constantly raise the law enforcement standards, courts at all levels have steadfastly upheld the guiding principle of "strict government of the courts" and have looked realistically at the contingent of police cadres and deliberately strengthened their organization, ideologies, and professional quality; tighten supervision over their law-enforcement methods, and strived to improve their law-enforcement activities. With regard to the leading groups, the provincial court and various intermediate people's courts assisted the party committee and people's congress in modifying and strengthening the intermediate and basic people's courts' leading groups and strived to turn them into combat groups that had principle and were diligent and responsible, united and effective, honest and disciplined, and pragmatic and creative. At the same time, we have strengthened our political ideology work, set up political work organs, and have perfected the political work system. We insisted on relentless inculcation in honesty in law enforcement and the sense of professional responsibility, professional discipline, and professional ethics and rectified order in the contingent and further improved the political quality of the police cadres, and we have produced many advanced groups and elements who enforced the law impartially

and were pure and honest. In order to ensure honesty in government, we have perfected various mechanisms of supervision and restraint and have insisted on the "two public and one supervision" system and made public the scope of our duties and work rules, and we have adopted the method of "going-out in search of ideas and inviting-in to solicit public suggestions." We diligently solved the problems we have uncovered, and we dealt harshly with those who had violated law and discipline.

Courts at all levels have also paid special attention to police cadre training to improve their professional quality, and while we encouraged them to take an active part in legal studies, we also emphasized after-hours law school and certified vocational education. As a result, the number of police cadre in the legal profession with college education have increased from 566 at the end of 1987 to 3,148; they accounted for 59.9 percent of the police cadres in the province's courts. The provincial courts have made full use of the judge-training center and have held 39 training classes at different levels for different professions and have trained 3,960 police cadre. In our actual work, we have paid attention to strengthening basic professional training, and by holding moot courts and naming the best presiding judges and the best legal publications and so on, we have gradually increased the masses of police cadres' professional ability.

In the last five years, although the province's courts have accomplished much, there are still many problems. Primarily, ideologically the contingent still cannot meet the needs of the new situation and new tasks; we have not put enough effort into enforcing measures that serve economic construction; we still have not thoroughly investigated or studied the new situation and new problems; there are still problems in law enforcement: In some cases, the facts are unclear, not enough evidence are collected, determination of the nature of the crime is inaccurate, and inappropriate laws are applied. Some cases which should be tried openly are not tried openly because of certain restrictions. The scope of application of simplified procedure used in civil and economic cases is too broad, and in certain cases, we have exceeded the limit of our judicial power. We still have not properly solved the "implementation of judgment problems," and this has undermined the sanctity of the law. In addition, currently, court funding and facilities are a problem, and despite vigorous support from various quarters, the courts' plans for the "two tribunals" cannot be carried out. The police cadres are inadequate in coping with all of their duties and tasks. All these problems are being addressed, but in some instances, efforts must be made to improve the conditions and to win support from the relevant departments before they can be resolved step by step.

Fellow deputies, in accordance with the gist of the 14th National Party Congress and the plans of the provincial party committee and the Supreme People's Court, in this new year and for some time to come, the province's courts must submit to the supervision of the party

committees and the people's congresses at all levels, let themselves be guided by Comrade Deng Xiaoping's theory of developing socialism with Chinese characteristics, and steadfastly uphold the party's basic line and further liberate their thinkings, seek truth from facts, make an all-out effort to strengthen judicial work, raise the law-enforcement standards, so as to provide effective legal service and legal safeguard for the development of the socialist market economic system, for accelerating Jilin's reform and opening up and modernization, and for putting Jilin's economy onto a higher platform. In view of this guiding ideology, the province's courts must concentrate on the following tasks: One, we must make sure that our judicial work serve the economy, and we must protect all behaviors that facilitate the liberation and development of the productive forces, restrict activities that do not facilitate the liberation and development of the productive forces, and sanction behaviors that are harmful to the liberation and development of the productive forces. Two, we must continue the "harsh crackdown" to safeguard the state and society's stability and create a good social environment for reform and opening up and modernization. Three, we must continue to crack down on serious economic crimes, preserve socialist economic order, protect the reformers, encourage the explorers, redeem those who have erred, educate those who have made mistakes, and punish the criminals who have violated the law. Four, we must make full use of legal means to regulate the economic relations, safeguard market order according to the law, and promote market development and the development of the socialist market system. Five, we must protect the civil rights of the citizens and legal persons according to law and promote the development of the socialist spiritual and material civilizations. Six, we must pursue our judicial work on administrative law actively but cautiously to protect the legitimate rights and privileges of the citizens, legal persons, and other organizations; protect and supervise the administrative organs in exercising their power according to the law, help the government take on new functions, and protect the authoritativeness of the people's government. Seven, we must solemnly enforce the law and preserve the sanctity of the law and the unity of the state's legal system. Eight, we must further strengthen the legal contingent and strive to raise the police cadres' political and professional standards and turn the people's courts into a strong combat force. Nine, we must further strengthen and reform court management and look for quality and efficiency in scientific management. Ten, we must study harder so that we can become qualified judges under the new situation.

Fellow deputies, under the leadership of the party committees and the supervision of the people's congresses, the province's courts are determined to go all-out and act in the spirit of the 14th National Party Congress and continue to liberate our thinkings, raise our spirits, forge ahead, and make full use of our judicial functions to fulfill the glorious mission and sacred duty bestowed on

us by law and make new contributions toward accelerating the pace of reform, opening up, and modernization.

Work Report of Jilin Provincial People's Procuratorate

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[Report by Li Xiangwu (2621 0686 2976), chief procurator of Jilin Provincial People's Procuratorate: "Work Report of the Jilin Provincial People's Procuratorate (Excerpts)—Presented at the First Session of the Jilin Provincial Eighth People's Congress on 14 January 1993"]

[Text] I hereby present before the Congress a report of work accomplished by the province's procuratorial organs since the first session of the Provincial Seventh People's Congress.

In the last five years, under the leadership of party committees at all levels, under the supervision of the people's congresses at all levels, and with the support and cooperation of governments at all levels and the relevant departments as well as the masses, the province's procuratorial organs have steadfastly implemented the party's basic line and upheld the four basic principles and steadfastly served economic construction, upheld socialist democracy and the socialist legal system, diligently implemented the country's constitution and laws, and have always made the struggle against corruption and bribery the most important part of our effort to crack down on economic crimes. We have launched in-depth and sustained crackdowns on serious criminal offenses and other criminal activities, ensured the correct and effective implementation of state laws, ensured honesty in the state organs and among state workers, protected the citizens from infringement of their legitimate rights, and have safeguarded basic social order and stability. We have made our share of contribution to and have played a positive role in promoting the smooth process of reform and opening up and economic construction.

I. Engage in In-depth Struggle Against Corruption and Bribery To Protect and Safeguard Reform Opening Up and Economic Construction

Since the First Session of the Provincial Seventh People's Congress, the province's procuratorial organs have tightly evolved around the core of economic construction and have engaged in in-depth struggle against economic crimes and have cracked down especially hard on corruption and bribery, and these have produced very good legal, economic, and social results. In the last five years, we have dealt with 17,488 economic crime cases of all types and have filed and investigated 10,544 cases, of which 3,997 were corruption and 1,931 were bribery cases, and we have recovered 183.4482 million yuan for the state.

1. Create a focus and concentrate on the large and important cases: In the last five years, the province's procuratorial organs have filed and investigated 4,622 large and important cases; they accounted for 43.8 percent of all cases filed. Among them, 285 were crimes involving more than 50,000 yuan; 160 cases involved more than 100,000 yuan; five cases involved more than 500,000 yuan, and four cases involved more than 1 million yuan.

2. Crack down harshly on crimes committed by government staff and workers and law-enforcement officials to promote honesty in government: Crimes committed by government staff and workers and law-enforcement officials can have a detrimental effect on reform and opening up and on economic construction. They ruin the party and the government's prestige, and the masses are utterly disgusted with them. In our anti-corruption and anti-bribery struggle, the province's procuratorial organs have made this type of crime one of our central tasks in the effort to promote honesty in government. In the last five years, we have filed cases against and investigated 1,871 people involved in such crimes, 246 of those were involved in serious crimes.

3. Go deep into the key units to dig up "hidden crimes" and crack "serial crimes": First, through investigations and by ranking the units, we determined which were key units: Some were units and departments that had shown more evidences of crime being committed, and the people had complained the loudest; some were units and departments where the leading groups were lax, management was chaotic, and where abnormal losses were being incurred; some were units and departments which the party and political leaders and departments in charge had asked for an in-depth investigation. Second, we started out from one point, went from the surface and delved deep, from the inside to the outside, and from the key units to the key systems to dig for "hidden crimes" and crack "serial crimes" and continuously widened our victory. Lastly, we relied on the leadership of the party committee and the cooperation of the relevant departments and utilized model cases to trigger "little upsurges" to propel in-depth development of our anti-corruption-and-bribery struggle.

4. Take the circumstances into consideration to determine the focus of crackdown: Since last year, in view of the rampant criminal activities involving trademark infringement and counterfeiting and merchandizing of bogus and inferior quality goods, and because of the people's vigorous complaints, the province's procuratorial organs have followed the Supreme People's Procuratorate's plans and concentrate their energy on "cracking down on counterfeiting." We have since filed and investigated 36 cases, 15 of which were major cases involving over 10,000 yuan. In addition, in recent years, we have worked with the tax departments to crack down on crimes involving tax evasion and tax fraud and have investigated 2,677 cases of this type in addition to 1,333 cases of embezzlement of public funds; we have since recovered 78.142 million yuan for the state.

5. **Organically integrate crackdown, protection, and promotion so that our services run through the whole course of every case we handle:** One, we upheld the principle of being "resolute and cautious and aiming to be accurate" and handled cautiously all cases that could affect economic construction. We resolutely investigated and prosecuted large and important cases that were damaging to economic construction and caused serious harm, and we refused to be soft, but we were never haphazard in sentencing and never determined the nature of a crime unfairly. Crimes that involved small sums of money and were not serious and caused little damage to society were handled differently according to different situations. Two, we drew a clear line between guilt and innocence and made a distinction between corruption and bribery and social contact in normal business exchanges. We separated government behavior from enterprises' and individuals' behaviors and distinguished between mistakes due to inexperience and deliberate crimes. In some cases where the line between guilt and innocence was difficult to draw or where there was a dispute, we were particularly careful and might postpone prosecution. Three, in investigating people in important positions or enterprise leaders, whenever restrictive measures were called for, we would seek instructions from the party committee and promptly asked the relevant departments to make personnel changes to avoid causing production and management problems. Four, in the case of factory directors, managers, scientific and technical personnel, and sales staff who played a key role in enterprise development or who had made special contributions but have committed minor crimes and who confessed and showed remorse, we would be lenient in applying the law and would permit some to keep their original posts and allow them to redeem themselves through their work. Five, we paid attention to our method of investigation and would not lightly freeze enterprises' accounts or block their production or sales and supply channels, so that they could carry on their production and management activities as usual. Six, we assisted the relevant departments in strengthening out the leading groups, formulated rules and regulations, sorted out dispersed funds, and provided comprehensive services and administration to promote production development.

II. Resolutely Crack Down on Serious Criminal Activities and Safeguard National Security and Social Stability

In the last five years, the province's procuratorial organs and the public security organs, courts, national security departments, and judicial departments have worked closely together to uphold the principle of harsh and swift application of the law. We reviewed 86,207 cases in which the public security organs had asked for arrest warrants and arrested 75,998 people upon investigation. We also examined 60,645 cases handed over by the public security organs that involved 93,252 persons whom they had wanted to prosecute, and we initiated prosecution of 76,576 persons in 51,646 cases after investigations.

1. **Insist on complying with the law to crack down "harshly and swiftly" on serious criminal activities.** In the last five years, the province's procuratorial organs have made the harsh and swift crackdown on serious crimes—murder, robbery, rape, bombing, drug trafficking, grand larceny, and hooliganism—the focus of their attention and have approved the arrest of 24,677 people and have initiated prosecution of 25,156—at arrest rate of 33 percent and prosecution rate of 32.9 percent. To ensure the implementation of the guiding principle of harsh and swift application of the law, most of the province's procuratorial organs have implemented the early involvement system. We have gotten involved in the public security organs' investigation and pretrial activities in 2,684 important and special cases, and they have resulted in quick arrests, quick indictments, no blockage, and no delays. At the same time, we have actively taken part in the centralized crackdowns and other special struggles and have engaged in various activities to curb theft, eliminate the "six evils," crack down on robbery and sabotage of rural communications and power facilities, clamp down on break-ins and in-house thieves and criminal activities that jeopardized public safety and order in disaster areas. We have safeguarded Jilin's public security and social order.

2. **Supervise investigative and judicial work according to the law:** One, we made suggestions to correct violations of the law by the public safety organs in their investigative activities on more than 3,000 occasions and rectified violations of the law by the people's courts in their judicial activities on more than 2,400 occasions. Two, we pursued and captured criminals according to the law and were never derelict in the crackdowns. We have captured 2,262 and have charged 910 criminal elements. Three, we avoided unjust and wrongful cases and safeguarded the citizens' legitimate rights. Of all the cases which the public security organs had requested arrests and prosecution, 5,628 did not constitute crimes or if a crime had been committed, there was no call for pursuit of the criminal and no arrest was made, and in another 385 cases, we decided not to prosecute. Four, we have actively worked on second-instance cases and have handled 342 cases so far. Five, we followed the law and initiated protests in 236 cases which the courts had imposed exceptionally light or exceptionally harsh sentences.

3. **Step up prosecution of crimes that pose a danger to national security:** In view of the changing international situation in recent years, and because there are many unstable factors in this country, the province's procuratorial organs have stepped up national security procuratorial work, and under the centralized leadership of the party committee, we have worked closely with the public security and national security organs to resolutely crack down on criminal activities that threatened national security.

III. Continuously Strengthen the Functions of Legal Supervision and Safeguard the Citizens' Democracy and Individual Rights and Other Legitimate Rights

The province's procuratorial organs have made "infringement of rights," malfeasance, and other crimes an important part of the effort to crack down on corruption and build an honest and hard-working government and have given them top priority and have constantly stepped up the effort. In particular, since 1990, taking advantage of the publicity about "infringement of rights" and malfeasance cases, we have mobilized the general public to engage in the struggle against the criminal elements; as a result, our disciplinary and investigative work has made new progress. We have investigated 2,852 cases of forced confession, illegal detention, vindictive frame-up, practice of favoritism and fraud, neglect of duty, and accidents caused by negligence and other crimes. Among them, 446 were very serious cases, and we have recovered 14.0506 million yuan.

The prosecution and appeals departments of the province's procuratorial organs have consciously made protecting the legitimate rights of citizens and protecting social stability their fundamental duty and have acted in the spirit that they were held responsible to facts, to the law, and to the people and have steadfastly been civil to all visitors and have treated all letters and visits seriously and have actively tried to solve the public's problems. They insisted on treating all group visits and "emergency appeals" properly and turned negative factors into positive factors. They insisted on changing their workstyle and went out to the people to help them with legal problems.

IV. Actively Participate in Comprehensive Management of Social Order To Reduce and Prevent Crime

1. **Actively launched activities to solicit procuratorial proposal:** In our case work, we took into consideration problems with regard to rules and regulations and management and administration in units where the cases originated and in the relevant departments, and we have made procuratorial proposals, either verbally or written form, in 5,708 cases, and helped 976 units set up or improve their rules and regulations, and we have had good results.

2. **Educate and redeem many who have made mistakes:** When cracking down on crimes, we paid special attention to helping and educating those whom we had decided to waive prosecution, not to arrest, not to prosecute, and those who had been released from the "two camps"—"reform-through-labor" and "educate-through-labor" camps. We used such methods as setting up assistance and education organizations and offered to help and educate in key points, and so far we have imposed help-and-educate measures on 3,411 criminals, and most of them have given up their evil ways. To better implement the "Law on Protection of Juveniles," the provincial procuratorate has specifically formulated "Several Regulations on Handling Criminal Cases

Involving Juveniles," "Provisional Regulations of the Procuratorial Organ's Prosecution Department on the Handling of Criminal Cases Involving Juveniles" and so on, and we combined our prosecution with psychological treatment for juvenile delinquents to help them turn over a new leaf.

3. **Set up a group of comprehensive management contact points:** In conjunction with the creation of good public security microclimate zones and other activities, the province's procuratorial organs have chosen some departments and units with significant security problems, economic management problems, and high-crime problems and have turned them in to comprehensive management contact points by putting the results of "crackdown, reform, prevention, education, and construction" into these contact points. In the last five years, we have set up 864 contact points in the factories, rural areas, neighborhoods, and schools, using these small surroundings to improve society's overall public security.

4. **Assist the relevant departments in settling people released from the "two kinds of labor camps":** The province's procuratorial organs used "link-ups" and "contacts" to settle 621 people who had been released from the "two kinds of labor camps," so that after their release, they could find jobs and make use of themselves. This endeavor has been recognized by society and praised by many.

5. **Use all sorts of propaganda to publicize the legal systems:** We have written more than 30,000 articles to publicize the legal system and have made 840 radio and television broadcasts, held 76 press conferences, engaged in legal consultation with more than 6,000 people, exhibited evidences of corruptions and bribery 26 times, sponsored 3,121 lectures, and have educated nearly 5 million people.

V. Diligently Strengthen Our Own Organization and Improve the Political and Professional Quality of the Procuratorial Police Cadres

In the last five years, to meet the needs of the new situation of accelerated reform and further opening up, the province's procuratorial organs have strived to improve the police cadres' political and professional quality and have vigorously ensured the completion of various procuratorial tasks. Despite their arduous duties, poor working conditions, and many problems, the masses of police cadres have struggled hard, worked indefatigably, and continued to fight and make their share of contribution toward maintaining overall stability and promoting economic development. Many advanced groups and individuals, as represented by Yu Xudong [0060 2485 2639], deputy to the 14th National Party Congress and deputy procurator-general, have emerged, and they have won the support and trust of the masses.

1. **Step up political ideology work:** We linked our work to reform and opening up and economic construction and

to the cadres' ideological hot points and problems, delved into the basic theories of Marxism-Leninism and Mao Zedong thoughts, studied Comrade Deng Xiaoping's theory on developing a socialism with Chinese characteristics, and studied the party's history and the commodity economy, so that the masses of police cadres had a better understanding of the party's basic line at this primary stage of socialism. We have strengthened the concepts about law-enforcement in a socialist market system and have guaranteed the healthy development of our procuratorial work.

2. Strengthen the leading groups: To turn the leading groups at all levels into disciplined, united, combat-ready law-enforcement groups and combat nuclei capable of leading the police cadres in completing various procuratorial tasks, the province's procuratorial organs have consistently made straightening out leading groups a key link and have concentrated especially on their ideologies and workstyle and have continuously put people who were politically reliable, who supported reform and opening up, and who had impressive government records into leading groups at all levels.

3. Strengthen installations that ensure honesty in government: One, we started with the characteristics of different trades and businesses and focused on wrongful lawsuits filed for personal gains and on dishonesty in procuratorial work to set up and perfect internal disciplinary and supervisory departments in the procuratorial organs and equipped them with professional staff. Two, we started many activities at different levels to teach honesty in government and encourage people to excel and to foster good moral character and the belief that honesty is something to be proud of and illicit acts for private gains are despicable. Three, based on what the deputies of the People's Congress, the units where the cases originated, the masses, and people in all circles demanded of the procuratorial organs with regard to professional ethics and professional discipline, we have formulated "Jilin Province's Procuratorial Organs' Concrete Measures Toward Honesty in Government," and in every link of every case, we have strengthened the supervisory and restraining mechanisms. Four, we punished harshly all cadres who violated law and discipline to protect the procuratorial organs' image.

4. Intensify professional training: In the last few years, 3,166 of the province's police cadres have received professional training, 2,071 have had college and graduate-level training, and 222 have had senior procuratorial officer training. The provincial procuratorate has formulated the "Provincial Procuratorial Organ's Three-Year Training Program on Court Appearance To Support Public Prosecution" which has been fully accepted by the Supreme People's Procuratorate and will be made popular around the country.

In launching various procuratorial work, we insisted on the following:

We insisted on arming the police cadres with the theory of developing a socialism with Chinese characteristics. The province's procuratorial organs have always emphasized the study and implementation of Comrade Deng Xiaoping's theory on developing a socialism with Chinese characteristics and have combined ideology with practical work. We have held great debates on the question of how we could further liberate our thoughts, embrace new concepts, and consciously serve reform and opening up and economic construction and have eliminated the confused ideas about "natural service" and "theory of irrelevance" among some cadres.

We insisted on making economic construction the core and actively served reform and opening up, development and production. In the last five years, the province's procuratorial organs have actively served economic development by strict enforcement of the law and by improving and strengthening our procuratorial work.

We upheld the guiding principle of "grasping with both hands and be firm with both hands" and cracked down hard on all types of criminal activities.

We insisted on doing everything according to the law and raised our case-handling standards: One, we have set up internal restraining mechanisms, so that beginning in 1989, we have had an overlapping system of investigation, arrest, and prosecution. Two, we have strictly complied with the Supreme People's Procuratorate's provision on exempting some people from prosecution and have raised our standard in considering such exemptions. Three, we insisted on reviewing our law enforcement work thoroughly once a year and on correcting mistakes as soon as they were uncovered. Four, we have stepped up pre-trial investigations and re-investigation of cases, and addressing various problems we had uncovered, we have drawn up detailed rules on conducting investigations and have improved the systems on retirement, withdrawal, seeking instruction, and official response, and in the course of handling every case, we have given expression to the principle of strict law-enforcement and emphasis of quality and result.

We have integrated the mass line into our specialized work: After the procuratorates at all levels set up their corruption and bribery reporting centers in 1989, in order to continuously develop and improve them, we have formulated the "Provisions on Protecting the Informers' Anonymity" and "Provisions on Cracking Down on Retaliatory Attacks on Informers" and have implemented a system of making public all cases tried and closed, all measures on the protection of informers, all treatment of cases of vengeful attack on informers, and the handling of large and important cases exposed by informers. In particular, after the "two Supremes"—Supreme People's Court and the Supreme People's Procuratorate—issued the "Circular Requiring Criminal Elements Involved in Corruption, Bribery, Profiteering, and Speculation To Surrender and Confess Within the Prescribed Time," the province's procuratorial organs relied on the party committee's leadership to actively

carry out propaganda to mobilize the people, and we have been very successful. In a little over two months after publicizing the "Circular," 1,042 criminal elements involved in corruption and bribery turned themselves in and paid 8.03 million yuan in fines and returned 6.06 million yuan in cash and goods. During this period, we received 4,339 leads on economic crimes from the public.

We have steadfastly relied on the party committee's leadership and have actively sought the people's congress's supervision. In the last five years, the province's procuratorial organs have strictly implemented the "System of Seeking Internal Instructions and Submitting Internal Reports on Important Cases" and have diligently handled all cases delegated by the people's congress and taken the initiative to report to the people's congress and its standing committee. In order to better submit to their supervision, we have hired 32 special procurators who were members of democratic parties or nonparty-affiliated personages. Party committees and people's congresses at all levels have shown great interest and have paid special attention to our procuratorial work.

Looking back at our procuratorial work in the last five years, although we have accomplished a lot, there are still many problems and difficulties. We must pay more attention and adopt positive and effective measures to deal with them.

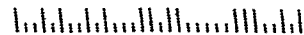
Fellow deputies, the 14th National Party Congress not only has set a magnificent goal for our party in the 1990's and even into the next century, but has made specific demands of our procuratorial work. The province's procuratorial organs' central tasks for today and well into the future are as follows: We must let ourselves be guided by Comrade Deng Xiaoping's theory on developing a socialism with Chinese characteristics and diligently act in the spirit of the 14th Party National Congress, steadfastly implement the party's basic line of "one core and two basic points." We must further reinforce and reform procuratorial work, resolutely uphold the guiding principle of "grasping with both hands and be firm with both hands," steadfastly and relentlessly engage in the struggle against corruption and bribery, and unswervingly crack down on serious criminal activities. We must diligently investigate cases of "infringement of rights" and malfeasance cases, implement various comprehensive management measures, vigorously strengthen our own organization, and by constantly strengthening our legal supervisory functions, strive to preserve social and political stability. We must be even more conscientious about providing multi-channel and all-encompassing legal services for developing the socialist market economy to protect the smooth progress of accelerated reform and opening up and modernization, so that we can make our share of contribution toward realizing Jilin's goal of putting the economy on a higher platform within three years.

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