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Article Commemorates Mao Discourse on Party Work

HK2303022392 Beijing RENMIN RIBAO in Chinese
11 Mar 92 p 5

[Article by Zhong Jiyan (6988 1323 1484): "Unswervingly Improve Development of the Party Work Style—In Commemoration of the 50th Anniversary of the Publication of 'Rectify the Party's Work Style' by Comrade Mao Zedong"]

[Text] On 1 February 1942, Comrade Mao Zedong delivered a speech entitled "Rectify the Party's Work Style" at the opening of the CPC Central Committee Party School in Yanan. In his speech, he expressly forwarded the slogan: "Fight subjectivism to rectify the study style, fight sectarianism to rectify the style in party relations, and fight party stereotypes to rectify the writing style." This raised the curtain on the Yanan rectification movement. Now that half a century has passed, both the historical conditions and objective environment have changed, and the party has shifted its focus onto economic construction. But Comrade Mao Zedong's basic views on rectifying the party's work style remain brilliant, the important practical significance of which still can be felt today when we reread the article.

Party Style Quality Has a Bearing on the Party's Fate

At the beginning of the article, Comrade Mao Zedong wrote: Now "the party's general line is correct and presents no problem, and the party's work has been fruitful." "Then is there or is there not any problem still facing our party? I say there is and, in a certain sense, the problem is quite serious." In other words, there is still something wrong with our study style, our writing style, and the party's work style. He said: "The study and writing styles are also the party's work style," "and this is a question of primary importance." Here Comrade Mao Zedong forwarded and applied the concept of the "party's work style" and, by linking it with the party's line and work performance, he expounded the extreme importance of the party's work style.

Our party is the vanguard of the Chinese working class, the loyal representative of the interests of the Chinese people of all nationalities, and the core of leadership for revolution and construction in China. The party's nature requires us to keep a fine work style. Setting store by ideological education and the work style's development is an outstanding feature and also a conspicuous advantage of our party. Comrade Mao Zedong called for rectifying the party's work style in 1942. Only three years later, in the political report to the Seventh CPC National Congress in 1945, Comrade Mao Zedong solemnly declared: "The CPC, which is armed with Marxist-Leninist theory and ideology, has cultivated a new work style among the Chinese people, which is mainly characterized by the integration of theory and practice, close ties between the party and the masses, and self-criticism." The party's three principal styles have become a clear mark that distinguishes it from other

political parties, playing an extremely important role in the history of revolution and construction in China.

The specific content of the party's work style varied in different historical periods, and, therefore, the party needed to deal with different actual problems. During the Yanan period, we concentrated on opposing subjectivism, factionalism, and stereotyped party writing. In the initial period after liberation, we stressed the need to oppose bureaucratism characterized by the tendency of claiming credit for oneself, becoming arrogant, pursuing pleasure, and being separate from the masses. Today, we emphasize the necessity of fighting the malpractice of seeking personal interest through the abuse of official power and the bureaucratic tendency of formalism and dereliction of duties; as well as the need to penalize corrupt elements and eliminate corrupt practices. Over the past several decades, although the party building work's content has been changing, our mission and goal in party building has remained the same, that is, to retain the party's nature as an advanced organization, its fundamental purpose of serving the people, and its flesh-and-blood ties with the masses.

Over the past 12 years of reform and opening up, Deng Xiaoping, Chen Yun, and other revolutionaries of the older generation have set great store by the cultivation of the party's work style. They consider rectification of the party's work style and socialist modernization vitally important to the party. It is true that, thanks to the efforts of all in the party, the party's three principal styles have been restored and promoted on the whole, and the party's work style is generally fine. However, we must not underestimate the existing problems either. As viewed from the country's overall situation, the practice of seeking personal interest through abuse of power and bureaucratic phenomena remain serious among some party-member cadres; the number of cases of violating economic law and discipline has kept on increasing, making up quite a large proportion of major important cases awaiting to be processed, while abuse of power, blackmail, and bribery have become prominent problems; the number of cases involving degenerate and corrupt practices has increased as well, and some evil phenomena which were extinguished for a time have revived. Although the above-mentioned phenomena involve only a few people, they seriously jeopardize the party's image and undermine the relations between the party and the masses. If we do not make up our minds to deal with these problems, they are bound to affect the implementation of the party's line, principles, and policies; or may even ruin the cause that we have been struggling for over the past several decades.

Rectifying the party's work style is a long-term, important task in party building. Every one of our comrades must be clearly aware that our party is undertaking an ever more arduous and complicated mission than what it had in all the past historical periods in rectifying unhealthy tendencies, fighting corruption, and intensifying cultivation of ideological style. There are two reasons for this. First, before the party rose to power, the

tough life and war, as the objective conditions, pushed us to constantly purify the party's work style. At that time, those seeking power and money would not join the revolutionary ranks, or they would be weeded out from the ranks. In the 1950's, we built the country's economy in a closed or semiclosed environment, in which it was relatively simple for us to work in our efforts to build the party. Nowadays, the party's status, environment, and tasks are all changing, which, in effect, has made us more likely to be divorced from the masses, and has invited those who wish to take advantage of membership in the ruling party to make every effort to sneak into the party; while weak-willed people are vulnerable to corrosion by capitalist ideology in their intercourse with the outside world. Second, as viewed against the broad background in which the international communist movement has encountered great setbacks and the Western hostile forces are stepping up their peaceful evolution operation against us, the development and spreading of corrupt phenomena are related to the infiltration by decadent capitalist ideology, the influence of all kinds of fake socialist ideological trends, and the spreading of bourgeois liberalization at home. In the meantime, hostile forces at home and abroad have made a big fuss of the corrupt phenomena within our party, arbitrarily exaggerated such phenomena, spread slander, and sowed discord, thus rousing grievances among the public, with a view to overthrowing the CPC's leadership and subverting the socialist system. Their plot was already exposed in that political contretemps which took place in China in 1989. The quality of the party's work style has a vital bearing on the party's fate. Nowadays, this is not a theoretical issue but a serious practical problem. To stand firm in an ever-changing international environment, our party must first properly handle its internal affairs, which is a key task; and the rectification of the party's work style is an important aspect of the efforts to properly handle internal affairs.

A Fine Party Work Style Guarantees Comprehensive Implementation of the Party's Basic Line

Reform and opening up is a natural development of history. We must never refrain from doing something necessary for fear of a slight risk, nor must we withdraw from reform and opening up simply because of some negative phenomena. We should strengthen ideological and political work while persisting in reform and opening up, enhance party building, and intensify discipline and the legal system. This is what Comrade Deng Xiaoping meant by the principle of "paying attention to both aspects."

Subordinating everything to and serving the party's basic line has been the consistent guiding ideology for our efforts to strengthen development of the party's work style. In 1942, when the Anti-Japanese War was stalemated, Comrade Mao Zedong said: "To fulfill the task of defeating the enemy, we must first fulfill this task of rectifying the work style within the party." Through the Yanan rectification movement, our party managed to rectify its members' ideological style and accomplished

an organizational centralization, thus paving the way for toppling the "three big mountains" and laying down the foundation for the new democratic revolution's victory. Nowadays, we still must maintain a fine party style to ensure the comprehensive implementation of the party's basic line and to accomplish the task of building socialist modernization under the historical conditions of reform and opening up. Since the Fourth Plenary Session of the 13th CPC Central Committee, the CPC central authorities, with Comrade Jiang Zemin as their core, have adopted some effective measures to cultivate party style and to promote clean and honest government. Statistics show that from 1989 to 1991, discipline inspection organs at all levels throughout the country filed for investigation and prosecution over 600,000 cases involving breach of party discipline, and, on the average, about three per thousand party members each year were punished because of involvement in such cases. Last year, discipline inspection organs at all levels assisted party committees and governments in dealing with house distribution, resulting in 81,000 apartments being returned by occupants who were party or government cadres and about 380 million yuan being turned in as fines; about 34,000 individuals were penalized for violating discipline. Preliminary statistics in more than 20 provinces, municipalities, and autonomous regions show that, with the assistance of discipline inspection organs, local government departments handled 50,000 cases of unreasonable levies, fines, and apportionments, thus saving several hundred million yuan in charges on enterprises and the masses. Meanwhile, some major, important cases involving leading party-member cadres were handled, and discipline actions were taken against 3,481 cadres at and above the county and regimental level. This has played an important part in guaranteeing the smooth progress of economic construction and reform and opening up. As viewed from the practice in cultivating party style and promoting clean and honest government, corrupt elements must be resolutely weeded out. However, the number of this kind of people is, after all, very small, and their cases can be solved through normal judicial procedures. At present, direct interference in the comprehensive implementation of the party's basic line is mostly linked to issues concerning the party's work style, especially leading party-member cadres' work style. These issues may not necessarily be cases of discipline violation, nor are they serious enough to be filed for investigation and prosecution. But they involve a wide range of sectors and frequently occur, therefore, they may cause substantial harm. For example, some leading cadres have displayed a serious bureaucratic style, holding high positions and issuing orders and instructions from their offices without going deep into the reality or without doing surveys to find out the actual situation; and, as far as economic construction is concerned, some leading cadres have given arbitrary and impracticable directions and made rash decisions, thus causing heavy losses. Some people have indulged in formalism, holding a lot of meetings, issuing a lot of documents, uttering a lot of empty talk and cliches, and being busy in entertaining visitors all days, but sparing

no time for practical affairs. Some people, when visiting grass-roots units, usually bring many people with them, enjoy lavish banquets, and take away lots of things as souvenirs. What is more, leading cadres of some localities and departments have shown serious selfish departmentalism. They have adopted a pragmatic attitude toward the line and policies laid by the CPC central authorities and the State Council, implementing whatever is to their liking, ignoring whatever is not, or sidestepping policies formulated by the upper level and doing things their own way. These malpractices have made it difficult for the party to have its line, policies, and principles properly implemented and have had great negative influence on reform, opening up, and economic construction. However, some party organizations have got used to and are indifferent to them, which can be very dangerous.

We should have no doubt that economic construction is the party's central task. In our efforts to cultivate the party's work style, we must always focus our attention on this, otherwise we will feel lost about whom we are to serve and we will be far divorced from reality. At the same time, we must be aware that the economic construction, reform, and opening up that we are working for are of a socialist nature, therefore, the further the reform and opening up process proceeds, the more we need to strengthen the party's leadership, tighten party discipline, and carry forward the party's fine traditions and work style. Comprehensively implementing the party's basic line with the stress on economic construction implies in itself the need to cultivate the party's work style. In other words, stepping up the cultivation of party style is an inherent part of the "two basic points." Without a fine party style, without the party organizations at all levels serving as strong fighting forces, and without the vast number of party members serving as vanguards and playing an exemplary role, we will not be able to uphold the party's leadership or keep the socialist orientation of reform and opening up. Therefore, we must make unremitting and persistent efforts to cultivate party style all the way with the reform and opening up. As Comrade Deng Xiaoping put it: "As long as the opening up and invigorating the economy policy is being implemented, we must keep up our work to rectify our party style, fight evil trends, and crack down on criminal activities. Only thus will we be able to ensure that the opening up and invigorating the economy policy will be properly implemented" (*Comrade Deng Xiaoping on Reform and Opening Up*, p 105).

To Cultivate a Fine Party Style We Must Strictly Administer the Party and Work in Earnest

Party style cultivation is a long-term strategic task and an imminent practical problem. We must make persistent efforts to strictly administer the party and work in real earnest, and continue to implement the principle of "working steadfastly and persistently." Under party committees' unified leadership, we must rely on the masses, organize and coordinate all social sectors, make

unified arrangements, and have the work done through comprehensive management.

First of all, we must conscientiously investigate and process major, important cases and resolutely weed out corrupt elements from the party, because these are important measures for party style cultivation. We must do away with all obstacles and conscientiously investigate and process political discipline violation cases according to the principle that everybody is equal before discipline; economic malpractice cases involving graft, bribery, abuse of power, and blackmail; serious bureaucratism and dereliction of duties cases; and cases involving degenerating and demoralizing elements. It is necessary to firmly uphold the principle of strictly administering the party and penalizing everyone who has violated discipline.

Second, we must focus our attention on key issues, as concentrating our efforts on an intensive rectification and consolidation operation is an effective method of party style cultivation. Ordinary measures can hardly be effective when dealing with issues concerning the general orientation and some specific knotty problems with regard to party style. Instead, we must concentrate our time and energy on dealing with specific problems in an organized and planned manner. Practice has shown that the integration of intensive rectification and consolidation operations and regular operation, and the integration of specialized organizations' functions and the masses' role are useful and effective ways to achieve rapid results.

Third, strengthening education in party spirit, style, and discipline and enhancing party members' quality are the basis for improving party style. The causes of party discipline violation and evil trends are manifold, but all causes are related to the party members' world outlook and all are expressions of divorce from the party's objectives and of impure party spirit. Therefore, except for an extremely few law and discipline offenders who must be penalized, what is needed to be done with the vast majority of communist party members is to educate them. As far as cultivation of party style is concerned, we must set our eyes on the vast majority of party members and do our best to enhance the overall quality of the party members' ranks and their ideological understanding as well.

Fourth, the exemplary role of leading organs and leading cadres is the key to cultivating party style. Our leading party cadres at all levels hold leading posts and assume important responsibilities, and their behavior and work styles have decisive influence on party members and masses around them. Party organizations and leading cadres at all levels must conscientiously overcome the tendency of "strong on the one hand and weak on the other," and take the cultivation of party style and promotion of clean and honest government as important tasks; and they must show the spirit of action and work in a down-to-earth manner.

In his article, "Rectify the Party's Work Style," Comrade Mao Zedong wrote: "Once our party's work style is put completely right, the people all over the country will learn from our example. Those outside the party who have the same kind of bad will, if they are good and honest people, will learn from our example and correct their mistakes, and thus the whole nation will be influenced." Leading party cadres will set examples for all the party, and the party will in turn set an example for the whole society. Once the party's work style is improved, it will help improve the political style and general social mood, and all such improvements will in turn become a great force which will inspire the entire nation to strive for the set magnificent goal.

QIUSHI on Improving Rural Party Organizations

HK2602115392 Beijing QIUSHI in Chinese No 1, 1 Jan 92 pp 35-38

[Article by Yan Demin (7051 1795 3046), of the Henan Province Academy of Social Sciences: "Effective Methods for Strengthening Building of Rural Basic-Level Party Organizations—Investigation of 'Two Helps, One Creation' Activities Conducted in Mi County, Henan Province"]

[Text] In the last two years, the "two helps, one creation" activities were conducted extensively in the rural areas of Mi County, Henan Province, with "the CPC organizations and members leading and helping the Chinese peasants develop commodity production, expand the collective economy, and go for common prosperity; leading and helping the peasants to implement the party principles and policies, observe discipline and abide by the law, and make common progress; creating and building two-civilizations households" as the basic contents. A way was found to ensure the building of basic-level party organizations centering round the construction of two civilizations, with the building of party organizations to guide and promote the construction of two civilizations, and synchronous and coordinated development was realized of the building of party organizations and the construction of two civilizations.

I. "Two Helps, One Creation" Activities Suit the Needs of Building New Socialist Rural Areas

Mi County is located in the hilly areas southwest of Zhengzhou. Since the Third Plenary Session of the 11th CPC Central Committee, the economy in this county's rural areas has made rapid development. The county's total agricultural output value for 1989 was 250 million yuan, and the total output value of town and township enterprises reached 1.473 billion yuan, a respective increase of 3.1 times and 14.4 times compared with 1978, and the per capita net income of the peasants for the corresponding period also increased from 75 yuan to 610 yuan. However, under the new situation, some new problems have also cropped up in the county's rural areas: Inadequate attention is paid to the development of the collective economy; there is too big a gap between

poverty and wealth among peasant households; some peasants waver in faith in socialism, and many confused ideas have emerged; selfish and small peasant economy ideas are serious among a small number of peasant, and moral standards have gone down.

Through investigation and study, the Mi County CPC Committee believes that the major causes for the above problems lie in the fact that some rural basic-level party organizations are not adaptable to the new changed situation, and are not exercising effective leadership over rural work, which affects the role of the fighting force to be brought into play. To solve the problem, it is necessary to start by stepping up the building of basic-level party organizations. The county committee believes that the greatest reality in the rural areas now is that the masses are eagerly asking the party organizations to lead them on the road to common prosperity and common progress. The party building work in the rural areas should be conducted by always centering round such a common resonance point between the CPC and the masses. It is thus necessary to create a form in which to integrate organically the building of the basic-level party organizations with meeting the above requirements of the masses. Based on such an understanding, the county committee decided to carry out extensively "two helps, one creation" activities in Mi County's rural areas.

The basic train of thought of "two helps, one creation" activities is: make great efforts on the building of rural basic-level party organizations, with the role of the fighting force of party organizations and the vanguard exemplary role of party members as the motive force, with party members helps as the central link, with the building of two-civilizations households as the basis, to promote two-civilization construction, and realize common prosperity and common progress. The activities emphasize combining the three together: the party branch, the party members, and the peasant households. By working out a whole set of effective systems and measures, a mutual restraint and encouragement mechanism takes shape, in which the party branch and party members lead the masses, the party members and the masses accelerate the party branch, the party branch and the masses accelerate the party members, and synchronous and coordinated development of the building of basic-level party organizations and the two-civilization construction is realized. It meets with the present call of the broad masses of peasants in the rural areas, the call of eager demand to get rid of poverty and become rich and to overcome ignorance and make progress.

II. Proceeding From Practical Situation of Rural Work, Grasp Well "Two Helps, One Creation" Activities in Real Earnest, With Rural Party Building Work as the Motive Force

To build two-civilizations households is the basic reliance of "two helps, one creation" activities. Based on the practical situation in the rural areas, the CPC county committee works out the 10-point two-civilizations standards which embody emphasis on both material and

spiritual civilizations, and promulgate the 44-point Rules and Regulations for Implementation, so that each standard has real contents. The activities mainly ensure several major links.

First, do a good job in propaganda and mobilization work. During the activities' initial stage, apart from extensively publicizing by various ways the purpose, significance, and concrete practice of the activities, decisions are made on the basis of investigation and study on several matters which the masses now want to do, but cannot do, or cannot do well. Party members are mobilized to lead the masses to do the job, to enhance the perceptual knowledge of the activities by doing practical jobs, and achieve fine propaganda results, and find breakthroughs for the activities.

Second, do a good job in special subject education. The "two helps, one creation" activities are based on education, and aim at heightening the consciousness of party members and the masses. Special subject education is the key link in the entire activities. Special subject education takes the form of combining party members education with the socialist ideological education in the rural areas. In content, toward party members, education is conducted mainly centering around the party nature with the purpose of the party as the core, and emphasis is laid on solving the problem of whether Communist Party members of the new period faithfully implement their sacred duties and actively lead the masses to embark on the socialist road of common prosperity, or forget the party's purpose and the objective of struggle and care only about personal prosperity. Regarding the peasants, it is of major importance to grasp tightly the question about which the masses of the peasants in general are concerned, aiming at their practical ideological conditions, and taking advantage of the profound changes in the life of the peasants brought about by 40 years of socialism to help them remove doubts and build up confidence and to emphasize solving the problem of whether socialism of common prosperity is good, or capitalism of enormous differences between the poor and the rich is good. In education, the principles of educating party members first and the masses afterward and of combining theories with practical work are to be adopted.

Third, do a good job in appraisal and "help and guide." Appraisal of civilization households is conducted at several levels among ordinary peasant households, households of party members holding official posts, and cadre families. Two-civilizations households, advanced party members, and cadres are appraised and judged by "back to back" democratic appraisal, and the party branch's work is appraised by the masses representatives conference and by inner-party democratic activities meetings to determine its position in the township, and is made known to all villagers after approval by the township CPC committee. The appraisal process is one of upholding democracy, summarizing experiences, promoting ideological exchanges, and strengthening ties between the party and the masses and between cadres

and the masses. The advanced units and individuals appraised and judged are commended to set up typical examples and support healthy trends. They will not be of "lifelong tenure." The advanced peasant households and all those party members and cadres with the ability to "help and guide" are required to set up "help and guide" relations with a household which has lots of problems and enormous difficulties on a voluntary basis on both sides and through coordination by the party branch. The "help and guide" results will serve as important standards for the next appraisal. Such a way of doing things will vigorously spur the advanced on and be a gigantic push as well to the backward peasant households, thus enabling them to feel the warmth of the party and comrades.

III. "Two Helps, One Creation" Activities Promote Rural Party Building Work and Two-Civilizations Construction

In the last two years, the "two helps, one creation" activities were conducted in 302 villages in the county in four groups, and more than 30,000 two-civilizations households and over 6,000 party members were appraised and judged to undertake the "help and guide" mission. By unfolding such activities, gratifying changes have taken place in the rural areas throughout the county.

1. The role of the leadership core of basic-level party organizations is given better play, and cohesiveness, the force of appeal, and combat effectiveness are strengthened distinctly. In the past few years, the peasants were not quite satisfied with the basic-level party organizations situation. In the "two helps, one creation" activities, the county committee has rectified and reorganized the party branches in 120 villages by combining with the change of sessions, enabling many party branches to get a new lease on life and vitality. Many party branches start with the problems which the masses eagerly ask to solve and there are conditions for solution. Bearing in mind the need to do real business for the masses, they succeed in doing many jobs in the courtyards of peasant households, and make peasants feel satisfied from the bottom of their hearts. According to statistics, in just over half a year, the village party branches that unfold the "two helps, one creation" activities have organized party members to do 16,900 real jobs for the masses; have led party members and the masses to build of their own accord over 220 km of roads and 67 bridges, and install 38,000 meters of running water pipelines; and solve the problem of the difficulty in getting water for more than 14,000 peasants. The peasants are witnesses to all these and are joyful. They say: "The party's fine traditions are back." With real jobs done, the past situation has changed from when it was difficult to call a mass meeting and many matters were difficult to handle.

2. The vanguard exemplary role of the broad masses of party members with no administrative position is brought into play again, and the implementation of various party rural policies is ensured. After the family

joint production contracted responsibility system was carried out in the rural areas, many party members with no official position confused themselves with ordinary peasants. The "two helps, one creation" activities have created conditions and environment for party members with no official position to bring their roles into play. Since the launching of the activities, a large number of the masses of party members and individuals have emerged throughout the county who have taken the initiative to remove worries and overcome difficulties and actively make selfless devotion for the collective and the masses. When the school was constructed in Songlou Village, Laiji Township, village party members went to the site to take part in voluntary labor as if by prior agreement, saving 5,000 yuan for the village. The party members who take part in the "help and guide" activities give play to their own specialties and superiority, and actively help and guide poor and backward households. Some of them provide without compensation the led and guided households with their own capital and production tools; some impart without reserve their proficiency in a particular line to their led and guided objects; others appear personally to mediate in family contradictions of the led and guided and in disputes with their neighbors; still others help the backward masses and young people who have taken wrong steps in life to change their ideas. In short, they help them both to become rich and to make progress. According to statistics, in villages all over the county that conduct the activities, over 8,000 party members have done more than 26,000 good jobs for the masses, over 1,500 party members have helped more than 2,300 poor households get rid of poverty, and over 2,100 party members have helped more than 3,500 families rather backward in spiritual civilization make progress.

3. Gigantic changes have taken place in the mental attitude of the masses:

—Strengthen faith in socialism. Originally, some peasants believed the reason they started getting rich in the last few years was that they partially went in for capitalism. After learning about the drastic changes in some socialist countries, some were worried whether or not we could continue to uphold socialism. Through special subject education aiming at clear-cut objectives, the broad masses of the peasants have deepened their understanding of the party's current policies, are clear about the socialist nature of rural reforms, and have understood that only socialism is the road to prosperity. In particular, the practical actions of the broad masses of party members in actively leading the masses on the road to common prosperity have strengthened all the more the faith of the peasants in taking the socialist road. They declare: "Even if heaven collapses, we will follow the CPC to go with socialism as before!" Under the influence of the vanguard exemplary role of party members, more than 3,000 peasants who take the lead in becoming rich also actively take part in the "help and guide" activities and contribute to realizing common prosperity.

—Sense of responsibility to the state and the collective is greatly strengthened. In the past, some peasants believed that it was only natural to freely take things from the collective, and to gain extra advantages for nothing from the state. Some people were in arrears with state loan repayments on a long-term basis, did not submit rational collective profits, and even greedily possessed collective properties. Now the peasants' ideological consciousness has been raised. In the last two years, peasants of 5,074 households in the county took the initiative in returning over 600,000 yuan in loans to the state and the collective. Moreover, they also actively donated money and materials and ran collective undertakings for public welfare.

—Obvious changes have taken place in the concepts of honor and disgrace. In the appraisal of two-civilizations households in Mi County, every household is required to take part and hang up their two-civilizations plates, so that the results are clear at a glance. The 10-best appraisal influences the minds of thousands of families, and the peasants value highly the plaque their own families display and how many flags there are on the plaque. They often pay attention to learning, comparing, catching up, and surpassing.

—Paying attention to civilization and morality has become a prevailing practice, and new relations between people are taking shape. In rural life, neighbors and family members would often come to blows and become enemies over trivial matters. The appraisal regards stressing unity as an important content, and accelerates many households to take the initiative in improving relationships with their neighbors and family members. Two peasant families in Hanzhuang village, Chengguan township, hurt each other's feelings because of residential land disputes, and had no contact whatsoever for more than seven years, and no result was produced after many mediation attempts by village and township cadres. In the activities, both sides took the initiative to call on each other and apologize to each other, and soon overcame the dispute. According to statistics, nearly 5,000 disputes between neighbors and over 5,700 cases of family conflicts in the county's rural areas have been overcome through the activities.

—The legal system concept has been somewhat strengthened. In the past few years, some peasants became rich economically, but lacked spiritual ballast. Time and again there occurred such phenomena as gambling and prostitution. Through the "two helps, one creation" activities, the broad masses of the peasants' concept of the legal system has been somewhat strengthened, and the social security situation in the rural areas is improving. In 1990, the incidence of criminal and social security cases dropped 40 percent compared with the previous year.

4. The collective economy develops and expands. In the "two helps, one creation" activities, various village party branches place education in collectivism in a prominent

position, guide the masses to correctly handle the relationship between centralization and decentralization and between immediate and long-term interests, enable them to understand that the collective economy is the essential embodiment of socialism in rural areas, and is the fundamental guarantee for the realization of common prosperity, thereby arousing the enthusiasm of the masses of the peasants to develop the collective economy. A village-run factory in Panzhai village, Chaohua township, ceased production for many years for lack of funds, but when the village party branch decided to resume production in the factory, party members, cadres, and the masses of peasants succeeded in raising over 90,000 yuan of funds within 10 days, and brought the dying factory to life. Over the past year and more, 75 collective enterprises in the whole county resumed production and were newly operated, and thus 90 percent of the villages have collective enterprises. In 1990, the output value of township and village collective enterprises in the county amounted to over 600 million yuan. The growth of strength in the collective economy promotes the development and perfection of farmland capital construction and a socialized service system. Up until now, agricultural input at the township and village levels in the county amounted to over 39 million yuan, 149 villages are capable of providing more than 10 services to peasant households, and 153 villages are in a position to provide six to nine services.

5. Rural work in various fields is developing successfully. Family planning and management of residential land have always been the "two operas" most difficult to sing in rural areas. Family planning and management of residential land are included in the appraisal contents for two-civilizations households, which help many peasants carry out family planning of their own accord, and 4,314 mu of residential land in the county have been turned into farmland for cultivation. Besides, jobs such as raising funds to run schools in the rural areas have also made new progress. Now, 2.96 million yuan for education has been raised, and more than 40 schools have been built by villages.

IV. Enlightenment From "Two Helps, One Creation" Activities

1. From the strategic height of opposing peaceful evolution, party organizations at various levels in the rural areas must properly handle the question of whom to serve, further strengthen the ties between the party and the masses of the peasants, and consolidate the socialist position in the rural areas. This is a major issue directly concerning the party's life or death and the socialist cause's success or failure. Do a good job in the building of the party itself, and enable the masses of the people to feel that the CPC truly represents their interests, and only then can the party be in an invincible position. Mi County's experience tells us: Only when the rural party organizations change their leadership and work styles, improve and step up party leadership over rural work, and, in an earnest and down-to-earth manner, lead the masses of the peasants to build new rural areas of

socialist modernization can the iron and steel great wall of resisting peaceful evolution be built in the vast rural areas.

2. To help the masses of the peasants on the road to common prosperity and common progress should be the major task at the present stage for basic-level party organizations in the rural areas to fulfill. Poverty and difference between the poor and the rich are not socialism, and an essential characteristic of socialism is common prosperity. Many rural party organizations have basically understood this principle, and are leading the masses of the peasants to embark on the road to common prosperity. However, we should also enable them to understand that socialism not only should have a high level of material civilization, but also a high level of spiritual civilization as well. The development of socialist spiritual civilization is inevitably expressed in the general heightening of the ideological awareness of society's members, and in the society's common progress. Common prosperity is the material base for common progress, and common progress is an important guarantee for common prosperity. Common prosperity cannot be realized without common progress. The peasants eagerly ask the party organizations to lead them both on the road to common prosperity and to controlling social order, purifying the social environment, changing the rural areas' mental attitude, and realizing common progress. Basic-level party organizations should meet with the social development and the requirements of the peasants and earnestly undertake the responsibility history has entrusted to them.

3. Communist Party members must correctly handle the relationship between becoming rich first and common prosperity, and regard helping the masses on the road to common prosperity as their own unshirkable responsibility. At the present stage, we advocate and encourage some of the people to become rich first through honest labor and lawful operation, and at the same time we also advocate those who have become rich first to help those who have not to gradually realize common prosperity. This is a basic party policy. Communist Party members are vanguard fighters of the proletariat, and their lofty ideal is to realize communism. If a Communist Party member cannot correctly handle the relationship between becoming rich first and common prosperity, cares only about becoming rich himself and is indifferent to the masses' sufferings, then he is not a qualified Communist Party member. Only when party members take the lead in setting examples can they influence and lead the peasants who have become rich first to follow them. Mi County's experiences prove that the party members' exemplary actions are the crux to the realization of common prosperity.

4. It is necessary to merge the building of rural basic-level party organizations with the construction of two civilizations, and to guide other fields of work by the work of party building in the rural areas. Rural basic-level party organizations are the core of leadership for various fields of rural work. Whether or not such a core

of leadership can be well built directly concerns the implementation of various rural policies, and concerns social stability and development in the rural areas. Linking closely with the most important practical request for common prosperity and common progress in the rural areas at present, Mi County promotes the construction of two civilizations in the form of help by party members, creates conditions for rural party organizations and party members to bring their roles into play, and put forward even higher requirements for party building work in the rural areas. It links together the help and guiding activities by party members with the activities of creating and building two-civilizations households, so that bringing into play the party organizations and party members roles runs through the whole process of helping the masses on the road to common prosperity and common progress, and achieve comprehensive results of synchronous and coordinated development of the three constructions. This experience tells us that the building of rural basic-level party organizations is of fundamental importance to the two-civilizations construction in the rural areas. Only by ensuring the work of party building in the rural areas can we push forward and promote the entire rural work. The work of party building in the rural areas cannot be separated from the two-civilizations construction, and must be merged with it. It is necessary to create an effective form by linking with the rural local practical situation to find an integration point for the work of party building and the two-civilizations construction in the rural areas.

Article Stresses Yanan Spirit, CPC Work Style

*HK2703054092 Beijing RENMIN RIBAO in Chinese
13 Mar 92 p 5*

[Article by Ma Wenrui (7456 2429 3843): "Carry Forward Yanan Rectification Spirit, Earnestly Strengthen Party Building"]

[Text] At the opening ceremony of the Central Party School on 1 February 1942, Comrade Mao Zedong gave an important report entitled "Rectify the Party's Work Style" and launched a party-wide rectification campaign. This was a universal Marxist education campaign launched within the whole party, an ideological revolution campaign in which proletarian ideology overcame nonproletarian ideology, as well as a great mind emancipation campaign in which the erroneous tendency toward dogmatizing Marxism and deifying Communist International resolutions and Soviet experience within the party was eliminated. Through that rectification campaign, the three strong evil winds—subjectivism, sectarianism, and stereotyped party writing—that had once seriously jeopardized our party were purged. This not only reeducated and retrained a large number of veteran cadres who remained in the party after protracted struggle but also educated and trained a large number of new party members who joined the party in the initial period of the war of resistance against aggression so that the whole party received universal Marxist education and understood and further mastered the

basic orientation of integrating the universal truth of Marxism with the specific practice of China's revolution. In the whole party, a dialectical-materialist ideological line of proceeding from reality in everything, integrating theory with practice, and seeking truth from facts was established, three great excellent work styles peculiar to our party were formed, and party building was greatly strengthened in ideology, theory, and style of work, bringing about unprecedented consolidation and unity of the whole party as well as extensive links between and unity of the party and the people and laying a solid ideological foundation for the victories in the war of resistance against Japan and the war of liberation. As far as my personal experience is concerned, I think every comrade who experienced that rectification campaign will have this feeling: Education received at that time is unforgettable for a lifetime.

History proved earlier: Strengthening the ideological building of the proletarian party in the Yanan rectification campaign was a successful practice and a great creation. Regarding the issue of how to resolve the contradictions within the party, although Comrade Mao Zedong, at the Gutian Congress in 1929, had put forward the principle that it was necessary to stress party ideological building, as this principle was unacceptable to the then leaders of the party for a very long time, the party had all along been unable to find a correct method in the struggle against the erroneous tendency within the party. After the Zunyi meeting, the CPC Central Committee headed by Comrade Mao Zedong summed up the historical experiences of the party and came to understand deeply that ideological contradictions would frequently occur in the party, that this was the reflection of the class contradictions in society and of the contradictions between new and old things, and that these contradictions could not be resolved merely by employing the method of taking disciplinary and coercive measures but by enabling the party members and cadres, especially senior leading cadres of the party, to learn to apply the Marxist standpoint, viewpoint, and method to observe problems and to distinguish between right and wrong. This required a universal and lively Marxist education campaign within the party in which theory was integrated with practice and the method of criticism and self-criticism was employed. Therefore, the Yanan rectification campaign substantially indicated that our party had found a method of enhancing the Marxist theoretical level and perception of the whole party, clarifying the historical problems of right and wrong, resolving all sorts of ideological contradictions within the party, and insistently stressing party ideological building. This method could make the party update and perfect itself and clear away and prevent political dust and political germs from sullyng the face of the party and contaminating the body of the party.

Our era today is fundamentally different from the Yanan period. At that time, our party was not in a ruling position in the whole country, but today our party is

already a ruling party directing the people of all nationalities throughout the country to carry on socialist construction and has made tremendous achievements. Despite this difference, the Yanan rectification spirit is still of practical significance to our party building. If we say that without the Yanan rectification campaign there would not have been the unprecedented ideological and political consolidation and unity brought about by the "Seventh Congress" of our party in 1945, nor the victories in the war of resistance against Japan and the war of liberation, we can say absolutely that if today we do not use the Yanan rectification spirit to resolve the ideological contradictions within our party, to correct the unhealthy trends, and to build our party, we cannot win victory in the struggle against peaceful evolution. In his speech to mark the 70th anniversary of the founding of our party, Comrade Jiang Zemin incisively pointed out: "The party's work style is an issue that has a bearing on the life and death of our party, and if we allow corrupt phenomena to go on developing, our party will be heading for self-destruction."

This is by no means alarmist talk! Although there was a relatively complicated international background to and external reasons for the sharp changes in some socialist countries, the fundamental reason was, I think, that there was something wrong with the ruling parties of those countries. "Worms infest decayed matter." Impurity of ideology, impurity of organizations, impurity of work style, degeneration of the principal leaders of the party, development of bureaucratism and corrupt phenomena, and divorce from the masses will surely lead to the collapse and destruction of the party. Every day, these incidents that have already occurred and are occurring give us lively lessons in ideological and political education and warn our CPC members how to draw lessons from them and prevent the tragedy from being performed again in our country.

It should be said that our party, from the leadership collective of the first generation to the leadership collective of the third generation, has unswervingly held aloft the banner of Marxism-Leninism, socialism, and communism. The party leadership collective of the second generation with Comrade Deng Xiaoping as the core put great energy into healing the wounds caused to our party by the 10 years of turbulence, corrected the mistakes, especially the "left" mistakes, made by our party, resumed the party's ideological line of seeking truth from facts, and fundamentally reversed the party style sabotaged by Lin Biao and the "gang of four." The party leadership collective of the third generation with Comrade Jiang Zemin as the core has summed up and drawn the lesson from stressing material progress at the expense of cultural and ideological progress and intensified the ideological and political work. Necessary importance has been attached to the building of party style. Comrade Jiang Zemin pointed out: "No doubt, the main current of our party is good." However, the hostile forces are going in for peaceful evolution and bourgeois liberalization in the environment of

reform, opening up, and the development of commodity economy in our country and "many problems demanding prompt solution still exist in our party in the aspects of ideology, politics, organization, and style of work." I maintain that it is an important task of party building to seriously approach and solve these problems with the Yanan rectification spirit.

Comrade Mao Zedong pointed out as early as 1945: The work styles of integrating theory with practice, maintaining close ties with the masses, and conducting self-criticism are three remarkable hallmarks that differentiate our party from other political parties. The fact is this: In the contemporary and modern history of China, many political parties emerged, but the CPC alone has possessed these three important excellent work styles. History and reality show time and again that the three important work styles are the concentrated embodiment of the excellent work style of our party. Whether the party style is correct or not can be judged from the three important work styles. Nevertheless, we cannot but regretfully point out that the work styles of some party organizations, party members, and party cadres now run counter to the three important work styles.

So far as the integration of theory with practice is concerned, its original idea is that the universal truth of Marxism is integrated with the specific practice of China. Comrade Mao Zedong stressed and insisted on this all his life. In his opening speech at the 12th CPC National Congress, Comrade Deng Xiaoping regarded this as "the basic conclusion drawn from our long-term historical experiences." In his speech to mark the 70th anniversary of the founding of our party, Comrade Jiang Zemin stressed this again. Some party organizations, party members, and party cadres have, however, discarded this excellent work style, changed it, and turned it into "integrating theory with material benefit." So-called material benefit is nothing but individualism, selfish departmentalism, and "doing everything for the sake of money." The malpractice of so-called "working vigorously for a big profit, working less vigorously for a small profit, not working for no profit" is just the embodiment of this bad work style. Is the result not imaginable if our theory defends and shouts for such a bad working style! It is the same with "maintaining close ties with the masses" and "conducting criticism and self-criticism." They have been turned into "maintaining close ties with the leaders" and "praise and self-praise" by certain cadres and this has made the masses feel repugnance.

Although these bad work styles that run counter to the three important excellent work styles of our party are not the main current but the minor current within our party and occur in some party organizations, party members, and party cadres, and although people's motives for such views differ, we cannot ignore and underestimate their harm and lower our guard in the slightest. "A just cause enjoys popular support, while an unjust cause finds no support." This is the truth already proved by ancient and modern Chinese and foreign history and reality. Our party's work style, with the three important work styles as

the hallmark, is, as it were, the important magic weapon of our party to win popular support as well as the important weapon of our party to win and maintain the ruling position. "If the three work styles do not prevail, the party will meet its doom." In the face of three tests—

administration, reform, and opening up; the development of commodity economy; and countering peaceful evolution, whether our party can withstand them or not depends, to a very large extent, on whether we can carry forward and use this important weapon very well or not.

PROVINCIAL

January 1992 Rundown on Shanxi Industrial Economy

92CE0371B Taiyuan SHANXI RIBAO in Chinese

24 Feb 92 p 1

[Article: Table Showing Industrial Output, Sales, Stocks on Hand, and Economic Returns During January in Shanxi Province]

[Text]

Industrial Output, Sales, Stocks on Hand, and Economic Returns During January in Shanxi Province.
(Unit: 10,000 yuan)

	Gross Industrial Output Value of Enterprises at the Township Level and Above		Industrial Enterprises Within Budget (Under Provincial Department and Bureau Jurisdiction)							
			Gross Industrial Output Value		Sales Income		Funds Tied Up in Finished Goods		Profits and Taxes Realized	
	Actual	% Up or Down From 1991	Actual	% Up or Down From 1991	Actual	% Up or Down From 1991	Actual	% Up or Down From 1991	Actual	% Up or Down From 1991
Whole Province	402,482	1.4	162,836	2.5	131,054	12.8	290,991	-3.2	17,135	11.6
Metallurgy	52,450	2.0	35,524	4.8	38,436	73.1	19,971	-24.7	5,617	54
Electromechanical Equipment			2,710	-4	1,765	-16.2	9,174	-8.8	-42.7	-74.6
Coal	37,879	-18.9	2,280	6.1	1,750	51.8	1,559	22.9	-132	53.3
Chemical Industry	30,232	3.4	4,206	7	3,003	-4.7	1,691	-13.9	504	-24.1
Pharmaceuticals	6,279	7.2	3,386	50.2	1,820	-20.2	6,679	-1.1	100	5.6
Construction Materials	5,472	5.8	1,914	10.3	933	40.3	1,294	-19.4	119.1	From loss to profit
Textiles	25,787	-6	5,636	-5.6	4,085	-19.7	8,292	5.5	411	-36.9
Light Industry	22,915	12.5	6,553	15.9	7,432	-22.2	3,260	65.3	3,920	-32.7
Taiyuan	119,088	2.3	35,400	0.3	22,840	0	58,391	-18.6	547	From loss to profit
Datong	55,397	7.9	7,512	0.4	5,555	8.6	19,753	-10.9	556	-3.2
Yanquan	25,230	1.3	5,201	-1.4	3,120	-3.5	11,293	-3.1	254	85.3
Changzhi	30,842	7.6	5,199	-8.3	3,997	1.6	20,781	0.3	278	25.8
Jincheng	17,571	3.0	4,810	0.6	4,011	2.6	13,796	8.8	764	13.6
Shuozhou	15,243	-10.6	809	0	786	0	2,840	0	220	0
Yanbei	13,832	-13	3,326	2.4	3,718	3.6	11,422	19.6	716	14.3
Xinzhou	15,209	-7.8	7,468	0.2	5,912	21.5	18,578	2.7	728	33.1
Jinzhong	35,046	-4.5	10,470	2.1	7,396	0	29,850	-5.3	573	259.5
Luliang	16,169	9.2	4,383	3	3,296	-8.2	11,458	28.7	419	-12.5
Linfen	27,206	-2.8	7,204	0.3	4,585	5.2	23,465	42.4	654	37.4
Yuncheng	31,649	7.2	8,535	1	6,462	3.8	17,444	6.4	857	4.3

Industrial Output, Sales, Stocks on Hand, and Economic Returns During January in Shanxi Province (Continued)
(Unit: 10,000 yuan)

	Industrial Enterprises Within Budget (Under Provincial Department and Bureau Jurisdiction)						
	Actual Profit		Number of Enterprises	Losses		Profits, Taxes Paid	
	Actual	% Up or Down From 1991		Actual	% Up or Down From 1991	Actual	% Up or Down From 1991
Whole Province	4,894	-1.1	223	1,764	-47.4	8,414	40.5
Metallurgy	976	-17.8	1	39	-71.9	4,036	1596.5
Electromechanical Equipment	-102	-48.7	6	135	-51.7	145	229.5
Coal	224.6	-31	1	225	-31	55	115.7
Chemical Industry	258	-44.1	3	23	10	277	33.3
Pharmaceuticals	-30	From profit to loss	3	75	496.8	30	49.3
Construction Materials	47.1	From loss to profit	0	0	-100	133	482
Textiles	91	-70.5	2	12	-38.1	93	-17.8
Light Industry	1,866	-32.8	1	4	-52.3	767	-67.5
Taiyuan	-255	-65.7	36	524	-53.2	932	14.1
Datong	290	4	1	0.7	-94.6	250	11.1
Yangquan	27	From loss to profit	15	47	-76.6	198	7.3
Changzhi	-8	-87.4	30	152	-41.4	207	3.7
Jincheng	451	12.3	13	24	-24.9	446	8.8
Shuozhou	164	0	4	16.8	0	37	0
Yanbei	403	22.9	8	31	-17.1	59	17.2
Xinzhou	227	26.8	13	98	27.1	288	10.2
Jinzhong	25	From loss to profit	33	217	-63.1	366	4.7
Luliang	144	-19.1	22	59	21.8	95	-6.9
Linfen	225	16.3	20	80	497.7	52	-19.9
Yuncheng	288	3.5	11	4	-95.7	214	-1.6

Note:

1. The figures for the whole province include a 4,801,960,000 yuan gross output value from village-operated industries, up 2 percent from 1991.
2. Of the gross output value of industries at the township level and above, 264.039 million yuan is from the coal administration, down 16.2 percent; 220.17 million yuan is from electric power, up 3.5 percent; 82.57 million yuan is from national defense industries, up 3.2 percent; 19.96 million yuan is from reform through labor, down 11.8 percent; and 310.820 million yuan is from the Second Light Industrial Department.
3. Data on industrial enterprises under local government budgets included in the table were provided by the provincial Finance Department.

Shanxi Vice Governor on State Enterprise Reform
92CE0371A Taiyuan SHANXI RIBAO in Chinese
15 Feb 92 p 2

[Article: "Improve Large- and Medium-Sized State-Owned Enterprises To Bring About an Excellent Situation in Shanxi Province"]

[Text] Thanks to the correct leadership of the CPC Central Committee and the State Council, the province's

economy continued to develop in the right direction during 1991. Industrial production increased steadily; government revenues mounted; prices were stable; and markets boomed. Despite the fairly serious natural disasters that struck agriculture, a relatively good harvest was brought in. In our work on the economy in 1991, we concentrated on improving large- and medium-sized state-owned enterprises, adopting a number of policy measures to improve the external climate for enterprises and to enable them to tap potential. Spurred along by the

Central Committee Work Conference, the whole province united as one from top to bottom in pooling the wisdom and efforts of all to overcome difficulties. It concentrated on doing a good job with large- and medium-sized state-owned enterprises and improving economic returns, thereby making a major contribution to economic prosperity and consolidation of the socialist system.

Shanxi is a heavy industry province in which energy is dominant. Large- and medium-sized state-owned enterprises occupy a prominent position in its industrial structure. The provinces 266 large- and medium-sized state-owned enterprises account for 72, 52, 43, and 48 percent respectively of industry's original value of fixed assets, gross industrial output value, the number of staff members and workers, and profits and taxes paid to the government in the province, thereby making a major contribution to the development of the economy of both the province and the nation.

The difficulties and problems that large- and medium-sized state-owned enterprises face today are fairly large. They are manifested in four regards as follows: First, the trend toward aging is fairly serious. Fifty-two percent of such enterprises were built and went into production during the 1950's; 20 percent during the 1960's, 19 percent during the 1970's, and only 9 percent during the 1990's. Second economic returns are not good. A number of enterprises, including the country's largest centrally controlled coal mines, national defense industries, and heavy machinery industries are operating at a loss. Third, enterprises lack reserve strength for development, their average depreciation rate being approximately 4 percent. Fourth, old enterprises carry heavy social burdens. These difficulties mean that most large- and medium-sized state-owned enterprises must hobble along unable to compete. Therefore, the central authorities are entirely correct in giving a prominent position in economic work to improvement of large- and medium-sized state-owned enterprises. The main tasks facing the broad masses of cadres, workers, engineers and technicians on the economic front line throughout the province is to do a solid job of putting into effect the spirit of the Central Committee Work Conference. I would like to discuss several thoughts about this as it relates to Shanxi Province.

Improvement of State-Owned Large- and Medium-Sized Enterprises Is Necessary for the Consolidation and Development of the Socialist System

The history of China for the past nearly 100 years demonstrates irrefutably that only socialism can save the nation. Specifically, the dramatic changes that have taken place in recent years in East Europe and the former USSR further testify to this point. The economic foundation determines the superstructure, so the consolidation and development of the socialist system must be solidly grounded on a strong socialist economic foundation.

Since the founding of the people's republic, we first accepted the imperialist and bureaucratic compradore-capitalist enterprises in China; then, thanks to the First Five-Year Plan, we successfully established 156 heavy industries, which formed the backbone of China's socialist economy. These large- and medium-sized state-owned enterprises were in the most important energy, raw and processed materials, major consumer goods, transportation, communications, and financial sectors, and may be said to have been the economic lifeline of the whole country. During the past 40 years and more, they have served as mainstays for the development of the national economy. Take Shanxi Province, for example, where large- and medium-sized state-owned enterprises not only occupy a leading position in the development of the whole province's economy, but the province annually ships 200 million tons of coal, transmits more than 7 billion kwh of electricity, and large quantities of processed steel, non-ferrous metals, chemical industry products, and heavy mining machinery to provide powerful support to the whole country's four modernization. Consequently, only by doing a good job with large- and medium-sized state-owned enterprises can the economy be stable, the foundation for the socialist economy become increasingly perfected and stable, the people's material and cultural life improve, and the superiority of the socialist system fully demonstrated. Thus, we say that improvement of large- and medium-sized state-owned enterprises has a bearing on the success or failure of the socialist cause, and is a matter of fundamental importance for the consolidation and development of socialism.

Doing a Good Job With Large- and Medium-Sized State-Owned Enterprises Certainly Requires the Diligent Implementation of All Central Committee-Prescribed Policy Measures

During 1991, in response to problems in large- and medium-sized state-owned enterprises, the State Council made 12 decisions for enlivening large- and medium-sized enterprises. In connection with these decisions, the Shanxi provincial CPC committee and provincial government issued *Various Measures Relating to the Further Enlivening of large- and medium-size Enterprises*. The policy measures set forth in these documents and the *Enterprise Code* have very great pertinence. The question now is whether they can be genuinely implemented in enterprises. To find an answer to this question, we conducted diligent inquiries in different industries and different types of enterprises during the second quarter of 1991, finding a universal problem of some fine policy measures frequently being watered down in the process of being passed from one level down to another, which resulted in their not being fully implemented. For example, of the 13 decision making authorities that the *Enterprise Code* grants enterprises, nine were not implemented. Shanxi Province's "Article 26" provides that enterprises are to withhold 1 percent of their sales income for use in augmenting their own circulating capital and their new product development funds. This

is an important measure for improving enterprises' economic returns and readjusting their product lines, but most enterprises do not enforce it. Why do such things happen? One is they conflict with the existing management system, so they cannot be implemented. An example is personnel, labor, and wage management authority. At every level in the organization, a personnel department is in charge of cadres, and a labor department is in charge of wages. This authority is not very easily delegated to the enterprise. Second, although policies are explicit, enterprises do not dare use them. Examples include the right to set up agencies and to reject assessments. Although regulations cover such matters, government at all levels, and all units in charge require that when enterprises set up an agency, matching agencies must be set up at every level above and below. Furthermore, they require that specific personnel be assigned and that dedicated funds be disbursed, particularly that assessments be levied on enterprises under various guises. Enterprises are not allowed to take umbrage at this; they have no choice but to comply. This is an important reason for the inflation of non-production personnel in enterprises as well as enterprises increased burdens. Third, enterprises do not want to apply explicit policy provisions. An example is management of contract workers, which enterprises actually employ as though they were permanent workers. In recent years, income distribution within enterprises has tended toward equal sharing. In some enterprises in which economic returns have fallen, in particular, wages and bonuses have increased, loans even being used to issue bonuses. Formerly only good news but never worries were reported to higher authority, but now only worries and not good news, and only losses but not profits are reported. Consequently, a prominent problem today is getting policies implemented. We must bear this in mind when strictly evaluating the performance of all levels and all departments.

Improvement of Large- and Medium-Sized State-Owned Enterprises Requires Emphasizing and Making the Most of the Zeal of Local Governments and Departments, and Also Requires Emphasizing Consistency in Government Orders

One of the reasons why some central government policy measures have not been truly implemented in enterprises, and have been largely intercepted and sidetracked as they are relayed from one level to another is that in the course of reform and opening to the outside world during the past several years, some authorities have been delegated to local governments and government revenues have been divided between central and local governments. Objectively this has resulted in a pluralization of the main interest groups at each level and in each department, each of them overemphasizing its own interests. Frequently, they adopt a utilitarian attitude toward Central Committee policies, doing what benefits them, and dragging their feet and opposing what does not. Lesser interests are not subordinated to greater interests; instead the interests of one's own unit, and one's own area are overemphasized. This means that it is

very difficult to ensure that authorities granted to large- and medium-sized enterprises will be implemented.

Ours is a vast country covering more than 9.6 million square kilometers with a population of more than 1.1 billion. If we do not focus on the common good in matters of major importance, but rather have governments at different levels taking conflicting actions, government orders not getting through, or the farther down the line they go the more garbled central government policies become, improvement of the economy will be impossible. Therefore major economic policies affecting the common good that involve macroeconomic regulation and control, the sharing of interests among the state, local governments, and enterprises, government finances, tax revenues, credit, foreign exchange, and foreign trade may only be formulated revised and abrogated by the central government, and local governments and agencies at all levels must insure their implementation to the letter. Work within the jurisdiction of local governments and agencies is to be decided by local governments and agencies themselves. As General Secretary Jiang Zemin said in a speech to the Central Committee Work Conference: The problem of making the most of the two enthusiasms is actually the correct handling of the relationship between centralization and decentralization. Things that should be centralized must be centralized, and things that should be decentralized must be decentralized. It must be made clear to comrades at all levels that the current situation of governments at different levels issuing conflicting views and government orders not getting through is extremely bad for implementation of central government plans and policies and must be turned around. Whatever is not in keeping with central government regulations must be resolutely corrected.

Improvement of State-Owned Large- and Medium-Sized Enterprises Requires Wholehearted Reliance on the Working Class, and Arousing the Zeal of the Broad Masses of Staff Members and Workers

Well-run socialist enterprises must wholeheartedly rely on the working class, making full use of their zeal and creativity. This is the sole rationale for our improvement of enterprises. With the advent of the enterprise contract responsibility system, the position of those who contract operations in enterprises has become relative prominent. This, plus the institution of the labor contract system may very well make some staff members and workers feel they are employees, thereby diluting their concept of being masters. If this matter is not handled well, not only will it stifle the interest in production of staff members and workers, but it will be detrimental in assuring a socialist orientation for enterprises. Thus, this is not purely an economic issue, but a major issue of political orientation as well. In the present improvement of enterprises, extremely close attention must be devoted to work in four regards as follows: One is the need to guarantee the democratic rights of staff members and workers. Politically, cadres and workers must be treated equally and without discrimination. Thanks to staff

member and worker representative assemblies, staff members and workers take active part in the major decisions of enterprises, including the selection of enterprise managers. The heads of enterprise teams and groups, section chiefs, and shop stewards on the front lines of production must be directly chosen by the staff members and workers. Second is full expression of the interests of the rank and file. Enterprise wages, bonuses, and housing must favor workers on the front line of production who do hard, dirty, tiring, or dangerous jobs. Third, leading comrades in enterprises must truly show concern for the workers' hardships, wholeheartedly serve the people, and they positively must not permit disdain for workers to occur in socialist enterprises. Fourth is widespread launching of staff member and worker serious suggestion and technological innovation campaigns to provide ample scope for staff member and worker zeal and creativity. Fifth is to encourage staff members and workers in enterprises to pool funds for investment in enterprise shares, thereby directly linking the economic interests of the enterprise and the staff members and workers.

In addition, acceleration of the pace of reform of enterprises' labor, personnel, and technology systems will require smashing the "iron rice bowls," "iron armchairs," and "iron wages," making sure that "cadres can be demoted as well as promoted, staff members and workers can be fired as well as hired, and wages can go down as well as go up." Today, we have made some reforms in this regard. One is reform of the planned labor planned management system whereby a system is being tried out in which the increase in staff members and workers depends on an increase in production, expansion of enterprises discretion in the employment of manpower, and great simplification of procedures for recruiting labor. Second is eradication of the line between cadres and workers in enterprises with the institution of a managerial personnel and a technical personnel hiring system. Staff members and workers must compete for positions through open testing. At the same time, an all-personnel labor contracting system is being actively promoted. Third, labor units at all levels are gradually putting the services they perform for enterprises on a sounder footing. They have begun to organize efforts to enable staff members and workers to provide for and help themselves when they are fired, from an enterprise in accordance with regulations, are removed, or their labor contracts end. They transfer them to other positions, give them training for a change to other occupations, and make arrangements for them to be absorbed into society at large. During the period when such staff members and workers are awaiting placement, they are provided a living allowance out of the unemployment insurance fund. In 1992, we began overall planning for business enterprise retirement allowances at the provincial level, organizing a rational sharing of burdens that virtually guarantees the livelihood of staff members and workers who have retired or left an enterprise. Fourth is an expansion of enterprises' authority

over the apportionment of wages and bonuses, instituting an internal distribution system in which the position and technical ability wage system is the main one used. In addition, a regular system for increasing wages of staff members and workers through testing is being gradually established to smash the egalitarian "large common pot" to give genuine expression to the principle of distribution according to labor. Fifth is strict control over the issuing of bonuses and the use of floating wages in enterprises that are incurring losses because of the way they are operated. Specifically, the leading cadres of such enterprises are to be punished by cutting the size of their basic wage.

Work in the above two regards must be organically linked in industrial enterprises, avoiding being either too harsh or too lenient in order to obtain good results. The Datong Municipal Meat Products Plant has done fairly good work in this regard. The leading comrades in this plant really did inculcate the ideology of relying wholeheartedly on the working class, thinking up many ways and performing very many real deeds to guarantee the position as masters of staff members and workers in the enterprises. Leading cadres at all levels in the plant earnestly practiced what they preached, showing painstaking concern for the hardships of staff members and workers. At the same time, they instituted a strict system of distributions according to labor rewarding the hard workers and punishing the slackers. Thus, a feeling among staff members and workers that the plant was like a home and that working there was an honor became the order of the day. Within just three years time the plant developed from a small storefront shop with a workshop in the rear into a large, modern food processing enterprise.

Improvement of Large- and Medium-Sized State-Owned Enterprises Requires Planned, Focused, Technological Transformation on a Relatively Large Scale

The problem of aging large- and medium-sized state-owned enterprises is extremely prominent today. Of the 266 large- and medium-sized enterprises in Shanxi Province, more than 70 percent have a production technology of the 1950's and 1960's. Less than 1 percent of output value comes from high technology. Because their antiquated equipment has been in service too long, quite a few enterprises find it difficult to maintain even simple reproduction. Consequently, their economic returns and competitiveness are very low. In 1990, the profit and tax rate on funds in large- and medium-sized enterprises was only 6 percent, 1.6 percentage points lower than the level for the province as a whole, and roughly one-half the national average. One of China's major industrial bases is also Taiyuan City in which a goodly number of large- and medium-sized state-owned enterprises are concentrated. In 1990, the net value rate of fixed assets in industries under ownership of the whole people was 53.3 percent, 17 percentage points lower than the national average. Some major industrial enterprises such as the Taiyuan Iron and Steel Corporation, the Taiyuan Heavy Machinery Plant, and the Taiyuan Chemical Industries

Corporation have a very low net value rate on fixed assets. In addition, when these old enterprises' plants were built, environmental protection equipment had not been perfected. They have been discharging large amounts of waste water, waste gas and industrial residues without trying to bring pollution under control. As a result, Taiyuan has become one of the most seriously polluted cities in the country. Therefore, doing a good job with large- and medium-sized state-owned enterprises will require the technological transformation of these enterprises on a fairly large scale carried out in a planned and focused way. Scientific and technical progress will have to be depended on in the selection of appropriate technologies in efforts to make readjustments, remedy shortcomings, lay a foundation, and bring enterprises up to par. The emphasis in transformation must be on conserving energy and reducing waste, as well as on the development of new products and the updating of products. It must be realized that the technological transformation of large- and medium-sized state-owned enterprises is an urgent problem that will brook no delay and that must be begun with all possible speed. Planned, focused technological transformation on a fairly large scale must be done during the eighth and ninth five-year plans in an effort to bring the equipment in these key industries in the national economy up to the international level of the late 1980's and late 1990's by the end of the present century. It is necessary to continue to bring new vitality to these enterprises in order to assure realization of the third step strategic goals, and to provide a powerful material and technological foundation for the consolidation and development of China's socialist system.

Attention Must Be Focused Inward When Improving Large- and Medium-Sized State-Owned Enterprises, More Being Done To Modernize Management

In *On Contradictions*, Comrade Mao Zedong profoundly noted that external causes are the condition of change and internal causes are the basis of change. Basically, the problem of improving large- and medium-sized state-owned enterprises requires solution to enterprises internal problems. One should be mindful that in recent years the substitution of contracting for management, which has weakened management, has been pretty much the order of the day in enterprises. As a result, basic work is in disarray, consumption and costs have risen, and economic returns have declined. Meanwhile, some enterprise leaders improperly exaggerate the role of external factors, attributing all problems to the external environment. Examples include the "market slump," the "three arbitraries" [arbitrary assessments, arbitrary fee collections, and arbitrary levying of fines], and "administrative meddling," which actually are used to cover up internal problems in enterprises. These tendencies must be sternly dealt with. One must realize the fundamental problem as to why some enterprise do very well while some enterprises do very poorly under the same general circumstances is to be found within the enterprises

themselves. Yet another fairly conspicuous problem pertains to large- and medium-sized state-owned enterprises, and that is that the administrative mechanism in quite a few enterprises is still largely limited to the framework used for a product economy. How can this possibly meet the new situations and new circumstances that development of a commodity economy occasions. Therefore, enterprises must firmly inculcate an awareness of markets, an awareness of competition, an awareness of management, and an awareness of self-reliance, using their own unflinching efforts to do solid basic management work to bring about a change in the enterprise administrative system in order to take full advantage of the potential within the enterprise. In addition, units in charge of enterprises at all levels must diligently enforce all the rules and regulations, and the plans and policies of the Central Committee for invigorating enterprises. They must protect the position of enterprises and independent commodity producers and managers, urge enterprises along in changing their administrative mechanism to develop and grow strong through market competition.

In management, major efforts must now be devoted to the spread of some useful modern management techniques. This is of crucial importance in raising the management level of our enterprises. During the past more than a decade of reform and opening to the outside world, a large amount of sophisticated equipment and technology has been imported that requires the use of modern management techniques for its management. In addition, the widespread use of electronic computers provides the necessary physical medium for modern management. Furthermore, in the organization of production, it used to take more than 10 days or more than 20 days for a piece of information or an indicator to make its way level by level when reported by telephone or by mail. Timeliness was extremely poor. Frequently events changed with the passage of time, and opportunities for adjusting production decisions were lost. Many industrial enterprises in Shanxi Province make very fine trial-production products, only to have quality drop as soon as they go into production, the main reason being a lack of a complete quality control system. In order to modernize management gradually, during 1991 the industrial and transportation system throughout the province set up a production management command network completely equipped with electronic computers that ties the province into a network with prefectures, cities, industrial departments and bureaus, and key enterprises. In a subsequent step, the main indicators of industrial production will be reported every other day, and management directives can reach units responsible for carrying them out within 24 hours for a great improvement in work efficiency. We are also planning to have the province give training in modern management to groups of plant managers and the three chief engineers in plants over a period of time during the Eighth Five-Year Plan, the leaders of small enterprises receiving training from prefecture and municipal organizations. In the future, a certification system is to be instituted for

people to be assigned to positions. Those lacking requisite modern management knowledge will not be qualified to assume responsibility for enterprise leadership positions. By way of further advancing modern management skills and techniques in enterprises, we are preparing to select during 1992 a number of enterprises that have done the best work in this regard for a summarization of some of their experiences for application throughout the province. We are also considering a policy that gives priority to enterprises purchases of equipment such as electronic computers for use in management. Through work in these regards, we plan to enable the province's industrial enterprises to take new strides in industrial enterprise management.

Improvement of Large- and Medium-Sized State-Owned Enterprises Urgently Requires a Major Effort To Streamline the Organization of Government Functional Units at All Levels, the Opening Up of New Areas of Production, and Stimulation of a Flow of Human Talent Into Enterprises

Local governments have come to feel in recent years that the burden of serious overstaffing in administrative organs is hard to bear. Local government treasuries have become virtual feeding troughs. Large numbers of scientific, technical, and professional cadres stagnate in party and government departments, which are glutted with personnel who have no roles to perform. Because of the lack of administrative funds, these organs have been forced to resort to collecting revenues for their own support to remedy the shortfall. They have greatly increased the number of fees collected and assessments made, the burden ultimately falling on enterprises. At the same time, a general shortage of scientific and technical personnel and professionals exists in a large number of large and small enterprises and in township and town enterprises. A significant number of the more than 5,000 township and town coal mines in Shanxi Province have neither professional or technical personnel nor financial personnel. Despite many years effort and very many ideas to solve the problem, management of production technology has never improved and a sound financial system cannot be established either. The basic problem lies in failure to put an end to "iron armchairs" [sinecure positions] in the cadre system. No mechanism for encouraging the flow of human talent into enterprises has been established.

The rather poor state of a substantial number of industrial and transportation enterprises today is basically a problem of poor personnel quality. Unless this problem is solved promptly, improvement of enterprise competitiveness will be difficult. As reform and opening to the outside world move ahead, in particular, non-competitive enterprise will find survival increasingly difficult. This is a real problem facing us urgently. Shanxi Province has ruled that administrative units may not increase staff in 1992, and that personnel from enterprises may not transfer into administrative units. As a next step, some policy actions are being considered to attract personnel into enterprises. One such action is

to permit government cadres who go to work in enterprises to retain their government status for a certain number of years, thereby reducing their period off the roles so that such cadres feel they have a way to return. In cases where their income in an enterprise is less than in the government office, their parent organization will make up the difference. Additionally, administrative units will not have their expense budgets cut when they reduce personnel; thus, these units will be able to support some comrades in going to work in enterprises for a solution to government organs fund shortage and redundant personnel problems. Second, in order to remedy the backward state of the country's information and commodity circulation businesses, all levels, particularly materials, business, and industrial management units should found "composite business agencies" like those in Japan, such enterprises to provide consulting, intelligence, information, technical, accounting, and supply and marketing services. This is very necessary for the further invigoration of commodity follow and for guiding the production of industrial enterprises. The personnel needed would mostly be transferred from Party and government organs. Third is the need for continuity among enterprise cadres, a professional corps of managers who understand management and can administer being formed. The lack of continuity among cadres is a general problem in enterprises today. One of the reasons is that we continue to follow the methods used in party and government organizations in setting qualifications and grade levels for enterprise cadres. In consequence, enterprise managers have a strong administrative official coloration. The second reason is that excessive administrative meddling in enterprises on the part of all sorts of government departments means that enterprises are unable to exercise their operational decision making authority. This makes cadres in enterprises feel that they would be better off working in a party or government organization. The third reason is that sluggish reform of the enterprise personnel system, the barriers between higher and lower levels of authority, and the not very good way in which the hiring system works means that enterprise managers find it difficult to move around in a fairly large field and make choices. Their avenues for development are very narrow. The fourth reason is that enterprises short-term contracting creates short-term behavior in managers. Problems in this regard also require earnest consideration and solution. In short, policies must provide for the creation of a fine mechanism to provide continuity in the enterprise cadre corps, to encourage human talent to flow into enterprises, to genuinely improve enterprises' work, and to gradually "reduce the bloating" of administrative units.

Vigorous Development of Enterprise Blocs Needed To Improve Large- and Medium-Sized State-Owned Enterprises

The development of enterprise blocs has become a worldwide trend as an objective requirement of modern socialized production. The formation of enterprise blocs is largely determined by the following matters, but each

has its own individual form: First, is the formation of enterprise blocs that produce the same kinds of products, thereby improving market competitiveness. This will increase their economic strength, and expand market share. Second is the formation of blocs made of main plants and spare parts plants that produce a given product in the coordination of specialization. Third is the linking together of science and technology, production, and sales to form technology, industry, and trade entrepreneurial blocs that encompass every aspect from research and development of new products to batch production, to sales and exports. Fourth is the formation of blocs made up of different industries for multi-faceted operations, pooling strengths within the bloc, and evening out surpluses and shortages to meet changes in market conditions. We have done a large amount of work in forming entrepreneurial blocs since reform and opening to the outside world. We have founded a number of entrepreneurial blocs including the Yuci Hydraulics Bloc, the Xinghua Village Fenjiu Distilled Spirits Bloc, and the Shanxi Chemical Fibers Bloc. All of these blocs were built up from large- and medium-sized state-owned enterprises. Rational readjustment of enterprise organizational structure increases the vitality of large- and medium-sized state-owned enterprises. The province's present circumstances suggest that a substantial number of large- and medium-sized enterprises should urgently combine into blocs as a means of getting out of their difficulties and achieve further development. During 1992, we plan to found the Shanxi Coal Mine Electromechanical Enterprises Bloc in the machinery industry. We plan to organize the production of electrical and mechanical equipment used in coal mines to provide a complete range of services to meet the coal industry's development needs. Second, we plan to merge some small coal mines within the coal industry to form a mining bureau having certain economies of scale to expand the scale of production. This will enable the use of fairly sophisticated equipment to raise the coal recovery rate for a saving of resources and a reduction of accidents.

Improvement of Large- and Medium-Sized State-Owned Enterprises Requires Close Attention to Sales To Invigorate Commodity Flow, Advancing Enterprises Step by Step Toward the Market

The Central Committee Work Conference noted the need to move large- and medium-sized state-owned enterprises toward the market. This is a subjective requirement in keeping with a socialist planned commodity economy, and it is also a basic measure to make enterprises improve their own quality and change their operating mechanism. Realities in industrial enterprises today suggest that the most glaring obstacle in the process of transferring to the market is commodity circulation problems and weak sales forces.

Some controversy has occurred in recent years about how commodity circulation works. Some comrades still

do not understand sufficiently the position of commodity circulation in the total social reproduction process, even to the point where the mere mention of commodity circulation sets them to thinking about speculation and profiteering. Some other comrades believe that the country's commodity circulation has been perfected, and that the problem today is not improving it but guarding against a "heating up of circulation" and preventing too many middlemen from exploiting production enterprises for profit. Certainly, this makes a certain amount of sense, but generally speaking, business information is still not sufficiently responsive, many channels in the commodity circulation field are obstructed, and far from enough emphasis is placed on enterprises selling their own wares. Many industries keep turning out goods mindlessly only to have them accumulate in inventory. This burden becomes increasingly heavy, and is already sapping enterprises' vitality. These facts fully demonstrate the need for further invigoration of commodity circulation. There is a particular need to highlight attention to enterprises selling their own products. Various actions must be taken in this regard. First of all, a cooperative relationship must be built among the industrial, commercial, and trade sectors with regard to basic command-style plan industrial wares, two to three year-long production and sales contracts signed among them as the domestic market situation and industrial production capacity warrant, these contracts to be put into effect yearly. Mindless production that causes an accumulation of goods in inventory must be stopped. Second, industrial units in charge must emphasize sales work, organizing dealerships that provide services to industrial enterprises directly, the personnel needed being transferred from existing organizations concerned, thereby gradually changing helter-skelter enterprise sales to thousands upon thousands of customers into organized, systematic, and networked sales. In addition, various services, including the provision of information and consultation, must be used to direct enterprises' production. Third, more must be done to put the production of command-style plan goods and monopoly commodities under contracts. Any buyer who places an order, takes delivery of goods, or purchases goods without a contract must permit the industrial enterprise to sell them itself. Fourth, authorization for state-owned medium-sized state-owned enterprises to export must be widened, allowing more large enterprises to participate in international market competition.

Improvement of Large- and Medium-Sized State-Owned Enterprises Requires Correct Handling of the Correlation Between Speed and Returns

The Central Committee Work Conference decided that the emphasis in economic work must be changed to making structural readjustments and improving returns. In order to do this, the guiding thought behind all economic work in Shanxi Province will be making improvement of returns as its main task while emphasizing the intensification of system reform, vigorously readjusting the structure, and promoting scientific and technical progress to advance the sustained, stable, and

coordinated development of the economy and society. Henceforth, evaluations of enterprises must include not only an evaluation of the speed and the amount of their economic development, but more importantly attention must be given the evaluation of economic returns indicators, emphasis being placed on the speed of industrial growth, the product sales rate, the profit and tax rate on industrial funds, the profit and tax rate on industrial costs, the industrial net output value rate, the industrial all-personnel labor productivity rate, and the number of days required for all circulating funds to turn over. These criteria must be made a part of the management by objective administration at all levels, in all departments and all enterprises, evaluations strictly made and rewards and punishments strictly given. Energy conservation and less waste, reversing losses and increasing profits in enterprises must be carefully organized, strenuous attention given to these matters.

In economic development, speed and returns are a dialectical whole. Without speed there can be no returns, and unless the speed of returns is watched closely, the economy will suffer serious losses. In a province as important to the country's economic structure as Shanxi, in particular, a certain speed of growth must be maintained in the production of energy and some important raw and processed materials if the needs of the whole country's four modernization are to be satisfied. Therefore, correct handling of the correlation between speed and returns is a major guiding idea for improving large- and medium-sized state-owned enterprises.

The Central Committee Work Conference set a clear direction for our continued steady advance toward improving large- and medium-sized state-owned enterprises and for performing various economic tasks, adopting a series of correct policy measures. The main job now is to make sure of their implementation. We are determined to move ahead fearlessly in handling our own affairs, performing every task solidly, persevering in wholeheartedly serving the people, doing things for enterprises and the masses, and solving real problems, striving tirelessly to improve large- and medium-sized state-owned enterprises to bring about an excellent situation in Shanxi Province.

FINANCE, BANKING

Banks Urges To Help Vitalize Large Enterprises

92CE0345C Beijing *JINGRONG SHIBAO* in Chinese
24 Feb 92 p 3

[Article by Zhou Jianchun (0719 1696 2504) and Zhong Siqing (6988 0934 3237): "How Banks Can Participate in Enlivening Large- and Medium-Sized State-Run Enterprises—Also Commenting On Magnifying and Perfecting Banks' Own Functions"]

[Text] Considering the nature and current conditions of China's large- and medium-sized state-run enterprises, banks should play a bigger role in their vitalization.

Banks can inject more funds to optimize enterprise structure and help organize them into enterprise groups as a way to participate in their operations and activities to achieve the goal of invigorating enterprises and at the same time broadening and perfecting their own functions.

A. Enlivening the large- and medium-sized state-run enterprises has unique meaning in China's socialist economy. Today, when the market is not yet fully developed, not all enterprise operating mechanisms are on track; the government's "paternal" relationship with enterprises still lingers; and banks cannot participate comprehensively in enterprise decisionmaking and can only play a passive role as fund providers. China's banking system has not developed a working, effective, and complete information network. Banks can only give their consent when enterprises ask for loans and can seldom come up with convincing arguments to say otherwise. In addition, currently, banks do not have the ability to assess and examine the technical content of projects and cannot stop enterprises from starting useless projects, producing useless goods, and fighting for needless loan funds, and they cannot effectively supervise enterprises in utilizing their funds properly to achieve the optimal combination of labor, equipment, funds and other factors of production. In view of these conditions, perhaps we should consider the following:

1. Using the information and research departments as a base, we should set up at least one regional financial and economic information center in each prefecture or prefectural-level city. The center will be responsible for providing information and suggestions to enterprises and banks within the region to avoid random selection of projects and products and to reduce losses caused by erroneous decisions. Primary level banks and bureaus should link up with the financial and economic information center to make use of the information and take advantage of their role as fund providers to participate in enterprise decisionmaking, and in this way there will be some assurance that enterprises will be able to repay the loans. This not only helps invigorate the large- and medium-sized enterprises but also magnifies the banks' own functions. The regional information centers can be developed in two stages: First, magnify the functions of the information and research departments of the primary level organs of People's Bank and various specialized banks. Second, link up the information centers inside a fairly wide area to share information resources and avoid repetition and redundancy within a small area.

2. Banks must acquire the technical ability to examine and assess projects. Primary level banks and bureaus should be equipped with specialized technical assessors who can work with the relevant industrial departments to set up an enterprise technology file to make sure that the large- and medium-sized enterprises' technological transformation projects are indeed technically advanced and to avoid bringing in redundant or low-tech projects.

3. The way banks inject funds into the large- and medium-sized state-run enterprises should be changed from the current practice which combines examination and lending to a system which separates the two. The system of separating examination from loans not only means that one person is responsible for examining the loan applications and another for extending loans, but primary level banks and bureaus so qualified may use computers as support system to help make decisions when extending current fund loans and technological transformation loans to the large- and medium-sized enterprises, to make loan examinations more rational, with less human interferences. That system can take into consideration data and quotas on enterprise production, management, and administration to establish a complete set of indicators, and after consulting the regional financial and economic information centers and adding other macroeconomic inputs such as the industrial policy and other deliberate biases and policy variables, we will have a decisionmaking support system that separates examination and loans.

B. Enterprises operating as enterprise groups is an inevitability in modern economic development, and this creates a new problem for the banking industry. How can it adapt itself to and serve these enterprise groups? Loans to high-tech and new-tech enterprise groups tend to be more risky, and there is a disproportionate amount of risks associated with the profit. This tends to make banks less willing to support enterprise groups, especially the high- and new-tech industrial groups. This conflict can be resolved in the following ways:

One, banks can raise huge sums of capital for enterprise groups in the securities market. Raising funds in the securities market has the following advantages: 1) It not only supports the development of enterprise groups but also resolves the conflict between profit and risk. 2) It eases the chronically tight supply of bank funds. 3) Letting banks market enterprise groups' negotiable securities publicly allows them to provide the supervision and services and helps fulfill their macroeconomic regulation and control functions. 4) It opens up the financial market, helps People's Bank fulfill its function as the central bank, and provides the tools and the objects of regulation and control as they engage in open market operations. But currently raising funds in the securities market has its conditions, and therefore it can only be a supplementary, secondary means and should be done only with the approval and under the tight supervision of People's Bank to avoid loss of macroeconomic control.

Two, banks inject large sums of money into the enterprise groups while the Financial Ministry discounts the interest. A single bank or several banks forming a financial group can provide enterprise groups with large sums of money and use low-interest or no-interest loans to support enterprise groups in state-of-the-art industries and fund their development, production, and sales. Meanwhile the Financial Ministry should discount the interest and the specialized banks should set aside a certain percentage of funds to support enterprise groups

in developing advanced and new technologies and products to increase their ability to compete in the domestic and foreign markets.

Three, the financial sector investing directly in enterprise groups to create shareholding enterprise groups is a good way for banks to share the risks and the profits. This method has its definite advantages: 1) It is a good way to resolve the issue of balancing the benefits and the risks. 2) Banks and enterprise groups can forge a more intimate relationship. 3) It helps raise the banks' overall professional level, magnify their functions, link profits to risks, increase banks' source of dynamic force, and increase their sense of responsibility. 4) It prompts banks (except for the central bank) to operate more as enterprises and make their own management decisions, take responsibility for their own profits and losses, and acquire self-restraining mechanisms. 5) Since the banking industry in essence is state-owned (except for the credit cooperatives and foreign-funded financial institutions,) it means the state can use banks to control enterprises' stocks and in turn guarantee the public ownership system's dominant role in the national economy and protect, further develop, and boost the forces of public ownership.

In the authors' opinion, to successfully combine bank and enterprise stocks and give full play to the shareholding enterprise groups, we must at least solve the following problems: 1) Strengthen and improve all relevant economic and banking laws and regulations to legally guarantee that banks can truly be owners of shareholding enterprise groups. 2) Laws addressing the questions of banks operating as enterprises and banks declaring bankruptcy should be promptly improved. 3) On the question of allowing specialized banks to handle all facets of the banking business, once banks begin to operate as enterprises, all existing differences caused by limits imposed by specialization should be eliminated, so that all banks can line up on the same runway and compete on equal footing. 4) The central bank should establish a macroeconomic regulation and control system which caters to the specialized banks' comprehensive, enterprise-like operations. It should rely mainly on indirect regulation and control and should become even more knowledgeable about the functions of a central bank.

Stock Market Brings Prosperity to Shenzhen SEZ

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[Article by reporter Chen Yijiang (7115 4135 1696): "Use the 'Magical Power' of Raising Capital To Bring Prosperity to the Special Economic Zone—A Commentary on Shenzhen Stock Market's Development in 1991"]

[Text] In 1991, Shenzhen's stock market went through many fluctuations, which worried many investors. Experts offered all kinds of explanations; leaders tried to

come up with countermeasures; and managers made every effort to deal with the situation. Because of the concerted efforts from all quarters, in the end, the stock market weathered the difficult period and laid a solid foundation for its healthy development in the future.

The stock market management department said that 1991 marked a year in which Shenzhen's stock market laid its foundation, expanded its scope, set standards, and underwent dramatic changes.

I.

There were several remarkable events in Shenzhen's stock market last year:

On 15 May, the Shenzhen City Government promulgated the "Shenzhen City Stock Issuance and Exchange Management Methods" followed by the "Temporary Regulations on the Management of Shenzhen City's Securities Organizations" and a series of other local laws and regulations.

On 17 June, Venke Corporation abandoned the practice of suspending trade when prices were too high or too low, a system it had adopted for many years. Subsequently, prices of Jintian, Anda, Development, and the newly-listed Baoan stocks were decontrolled. Shenzhen's stock market began to allow share prices to move freely.

On 3 July, the Shenzhen Securities Exchange and the Shenzhen SEZ Securities Registrar formally opened for business.

In October, the Shenzhen market announced the end of the 11-month long "bear market." Investors' spirits were buoyed by the news.

On 10 November, Shenzhen distributed subscription forms for 11 newly-issued stocks, and city-wide, 400,000 people lined up all night for them. Afterwards, relevant departments retrieved the forms, entered them into the computer to check for duplications, went through a lottery system, and completed this public sale of more than 200,000 million yuan's worth of RMB common stocks in an open, fair, and equitable way.

On 18 December, 10 newly-listed companies formally signed agreements or letters of intention with overseas underwriters regarding their RMB special issues (B-stock.)

People in economic circles at home and abroad gave high marks to these events in the Shenzhen market last year, calling them the spark of hope for thorough reform in China's economic domain. Leaders of many interior provinces and municipalities led delegations to Shenzhen to investigate, and everybody asked Shenzhen's leaders the same question: Can you provide us with detailed information on how to make use of the shareholding system and the stock market to raise capital?

II.

Building on the success of previous year's rectification and guidance, the management of Shenzhen's stock market went on track in 1991.

Shenzhen has created a market management system in which the Securities Market Leading Group acts as the decisionmaking and coordinating organ, the city's People's Bank takes charge, and the relevant departments share the management duties. It has set up a market operation system in which the Securities Exchange, the Securities Registrar, and the securities merchants share the division of labor and check and balance one another.

The Securities Market Leading Group has set up a system of regular meetings. It has its own office, and the relevant units send their personnel to work in the Securities Administration Office in the city's People's Bank, so that all relevant departments work together to manage the market.

Acting as the managing authority and carrying out the functions delegated by the state, the People's Bank assumes the main responsibility for the securities market's everyday operation and is in charge of approving stock issuance, distributing dividends and interests, and making sure that the market runs smoothly.

Early last year, the Shenzhen Securities Market Leading Group suggested that the management of the market should effect "three changes," namely, changing the format of market management from direct administration to a system of legal and indirect management which primarily uses economic means supplemented by administrative measures; changing the format of market exchange from decentralized to centralized exchange and transfer; making a gradual change so that the market conforms to international conventions, standards, and scientific methods. Today, people are happy to see that all these demands have basically been met. The city government has promulgated a series of laws and regulations, so that there are laws to follow and everything are done by the book. All stocks are exchanged and transferred centrally, and a standard block of shares can be settled without using cash. The 11 new stocks were sold at premium, which is an internationally accepted practice, and prospectuses are prepared following international convention.

Being "open, fair, and equitable" is the life of the stock market. Prior to 1991, everything was traded over-the-counter in the decentralized Shenzhen stock market. It had many problems, and the public were dissatisfied and complained a lot. On 25 December 1990, the Shenzhen Securities Exchange opened on a trial basis. Anda spearheaded the centralized exchange of a standard block of shares. Since 1991, the five old stocks have converted to centralized trading. Because the Securities Exchange strictly implements the principle of "openness, fairness, and equitability," management has clearly improved, putting an end to the old confused situation, and fewer clients have brought complaints. The most

sticky problem which has to do with new issues is solved by distributing subscription forms publicly, awarding subscription rights through a lottery system, and making sure that subscriptions are equitable, and the public generally is satisfied.

III.

Entering 1991, the Shenzhen market continued the 1990s downward trend, and hampered by the practice of suspending trade if prices were too high or too low, Development, Venke, Jintian, Anda, and Yuanye stocks dropped 0.5 percent per day. Inexperienced investors were tormented by their losses and dreamt of the day a "hero" would appear to "save the market."

Between January and mid-June, except on two occasions—just before the Spring Festival and in mid-May—when the Shenzhen market rebounded temporarily, the market in general was down. The Shenzhen Stock Index, "born" on 3 April, fell mercilessly to record lows again and again. After mid-June, in succession, Venke and other stocks abolished the stop-trading system, and although trading was active and prices showed some ups and downs, the market still pointed downward. On 17 July, the Shenzhen market hit "bottom." On that day, the over-the-counter trading price of subscription warrant for Anda stock was only 5 cents a share! Subsequently, stimulated by news of "institutional buy orders," the broad market stabilized at between 48 and 50 points in August and September. By September, toward the end of the "bear market," except for Baoan stock, all stocks on average have lost more than 70 percent of their original value.

In October, after a long period during which the Shenzhen market gathered momentum, a buying frenzy suddenly appeared, thus began a new round of "bull market." The market soared in early October and again in early to mid-November. When the Shenzhen Index hit 136 points, the market took advantage of "suspension of ownership transfer" [zanting zhuanhu 2548 0255 1413 2073] and made a downward adjustment. At year-end, the index stabilized at around 110 points.

As far as the stock investors are concerned, the 1991 Shenzhen market has taught the masses of investors a profound lesson. Some professionals suggest that at least the investors have learned that: 1) "playing with stocks" is the most risky kind of investment behavior; 2) having market insight is the prerequisite to buying stock; 3) "winners" must avoid "greed" and must know when to take the profit and let go, and "losers" must learn to be calm and patient in order to "recover." In short, the 1991 stock market has taught the investors, "take a beating, be a little wiser."

IV.

Ultimately, how much money did the Shenzhen stock market raise for the SEZ's economy in 1991? Many people wonder whether the stock market is good or bad for the economy.

Based on data gathered by the department in charge, in 1991, the five listing companies of Development, Venke, Jintian, Anda, and Baoan issued an addition 170 million shares of stock, and using premium pricing, they raised a total of 562 million yuan RMB for enterprise development. In November, 11 new stocks were introduced, and more than 200 million shares of RMB common stock were issued publicly and another 37 million or so were sold internally to the staff and workers. These issues raised 710 million RMB. Another 180 million yuan's worth of special RMB shares (B stock) were issued to foreign investors, raising nearly \$100 million (500 million yuan RMB.) Based on statistics compiled by the department in charge, by increasing shares of old stocks and issuing new stocks, the market raised 1.369 billion yuan in cash and added another 1.076 billion yuan to the existing capital base, and the old listing companies' profits boosted their capital by 34 million yuan. The market raised a total of 2.445 billion yuan RMB plus nearly \$100 million (about 500 million RMB.)

Some people say that banks can provide the same amount of money in loans to these enterprises. But financial experts explain that it is almost impossible for enterprises to borrow such large sums from banks on a long-term basis, because the state has limited financial resources and must exercise tight control over long-term fixed asset loans, and even short-term current fund loans must meet a host of conditions, and enterprises must have guarantees or collatorals and complete other procedures to satisfy the banks. Moreover, loans must be repaid when due, and even if enterprises were able to obtain the funds, each year, interest alone would cost them more than 100 million yuan, not a small sum of money. While banks worry about safe circulation of funds and enterprises worry about raising capital and putting the money to work, the stock market can solve both problems.

The government makes no investment but can raise huge sums of development funds for the listing companies and bring prosperity to the local economy—such "magical power" of the stock market is why those in economic circles worldwide are in love with the market.

There are hundreds of thousands of stock investors in Shenzhen. Last year, the volume of exchange topped more than 3.5 billion yuan, and in accordance with the law, the department of taxation collected more than 20 million yuan in stamp tax from both buyers and sellers, and the many securities institutions in the city earned more than 35 million yuan in handling fees from the buyers and sellers—enough money to "feed" the contingent of nearly 600 workers in the securities business.

Since Shenzhen opened its stock market, it has gained several hundred thousand stock investors, and there are even some "professional speculators." The margin between a stock's face value and its market value can be fairly steep—do the advantages outweigh the disadvantages or vice versa? Many sharp insiders have pointed out long ago that if we seize the opportunities before us,

consistently expand the market scope, balance supply and demand, work fairly and quickly, and effect scientific and standardized management, then the stock market will prove beneficial. But if supply and demand is out of balance, prices are volatile, market operation is not smooth, and management is sluggish, then the market will have many problems. After many years of actual practice, the Shenzhen stock market's managers have reached a consensus and have made a concerted effort, and last year they concentrated on management, and, using modern methods, they have improved work efficiency and at the same time they have finally made an important breakthrough in expanding the market scope by introducing 11 new stocks, increasing the number of shares to 2 billion.

The year 1991 has gone by, and this year Shenzhen's stock market has even grander developmental goals: The market will continue to expand; computers will be used comprehensively to put together all transactions; it will make a gradual transition toward paperless transactions; laws and regulations will be more comprehensive and further improved; a even more authoritative securities exchange commission will be formed. All these will allow the stock market to play a even more active role, promote reform of the enterprise shareholding system, increase enterprise vitality, raise even more capital at home and abroad, and promote Shenzhen SEZ's economic development.

Overcoming Current Financial Difficulties

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[Article by Bo Dongxiu (2672 0392 4423) and Li Maosheng (2621 5399 3932) of the Chinese Academy of Social Sciences Economic Research Institute on Finance, Trade, and Resources; edited by Qi Chen (1881 6591): "Thoughts About Basic Strategies for Overcoming Current Financial Difficulties"]

[Text] I. China's National Finance Has All Along Been in Difficulties Since the Beginning of Reform

Since the reform of the economic structure, China's national finance has been in difficulties and the present trend is that these difficulties are becoming even more aggravated. The financial difficulties are principally manifested in two aspects: First, in the 12 years since the reform, each year there have been financial deficits. Moreover, since the Seventh Five-Year Plan period, the deficits, both in absolute amount and in respect of the proportion they occupied in the GNP, have all along increased at a relatively high speed. At the moment, the deficit level is already considerably high. Seen from the ratio they occupied in the gross domestic product [GDP] (in China the GDP's numerical value is basically equivalent to that of the GNP; hence the deficits are used to represent the ratio they occupied in the GNP), in 1990, China's deficits already exceeded the principal capitalist countries with the exception of the United States. The

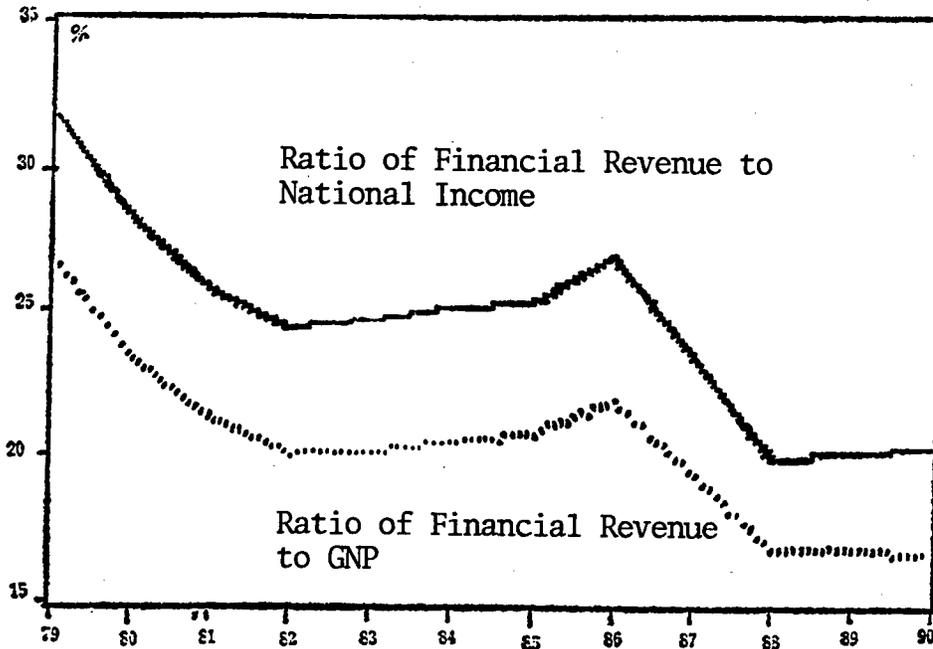
1988 level (lower than that of the United States by only 0.3 percent) was also higher than that of Hungary and Yugoslavia (footnote 1: See "Abstracts From International Economic and Social Statistics" (1990), published by the China Statistical Publishing House, 1991 edition, p 205). Increases in financial deficits add to the many passive influences on socio-economic life, being one of the factors for the formation of currency inflation.

Second, despite the appearance of relatively large financial deficits for successive years, the arrangements of financial budgetary expenditures still appeared to have been in arrears and, seen as a whole, they did not seem to have met social public needs in a manner corresponding to the economic development level. For example, under the national budget, the basic capital construction investments have been in a depressed state for many years. Computed according to the GNP index, in 1990, capital construction investments envisaged in the national budget were equivalent to only 68 percent of the 1985 level and 70 percent of the 1980 level. As a result, readjustment of the industrial structure has proceeded slowly and the steps taken to transform the public basic facilities' backward state were very difficult ones. In addition, there was another important problem seldom mentioned and this concerned the financial protection needed for state security. Calculated according to comparative prices, under China's 1990 national budget, expenditures for national defence dropped 13.3 percent compared with 1980. In China, the per capita national defence expenditures amounted to only \$4.8, equivalent to only 0.4 percent of the per capita expenditures of \$1,100 in 1986 of the United States, and to only 4.3 percent of the per capita \$112.5 of the Soviet Union in 1988 (Footnote 2: computed according to the *China Statistical Yearbook*, (1991), "Abstracts of International Economic and Social Statistics," (1990). Another even more concrete figure also very clearly indicates China's shortcoming in this respect: in China, the annual per capita training and exhibition expenses of the Armed Forces were only 3 yuan (roughly \$0.6)! Compared with the demand for modernization of national defence and in view of the current ever-changing international situation, this state of affairs is really ridiculous. Below, we shall first give our views on the causes of China's financial difficulties since reform and shall ultimately present certain new thoughts and countermeasures on how to be extricated from this financial dilemma.

II. Main Factors Causing China's Financial Difficulties

The financial problem is an overall and combined problem of the national economy. Generally speaking, a country's financial condition is determined by the economic condition and also by the country's financial system and policy. Under generally identical economic conditions, whether or not selection of the system is appropriate and whether or not the policy selection is correct makes a great difference in the financial condition. As we see it, regarding the causes of China's financial difficulties since reform, basically they should be looked for from the viewpoints of the system and

Diagram 1. Ratio of Financial Revenue to GNP and National Income



policy. This is because the 12 years since reform were one of the fastest and best periods in economic development in China's history. This being the case, what were the factors in the system and policy that caused the financial difficulties?

As we see it, China's financial difficulties since reform may be directly traced to the lowering of the ratio of financial revenue to national income or GNP (see Diagram 1 below). Compared with various countries, the level to which the ratio of China's national financial receipts has fallen is obviously on the low side. As can be seen from Table 1 above, among the countries of a representative character, the ratio occupied by China's financial receipts in GDP is the lowest (India's and Indonesia's figures seem to be close to China's but their figures did not include local financial receipts and if local financial receipts are included, the figures would be far higher than China's). This can indirectly explain wherein the causes of China's financial difficulties lie.

It should be pointed out that before us, certain comrades have already expressed more or less the same views and also advocated raising the ratio of financial receipts in the national income. However, the problem is what after all is the cause of the fall of the ratio occupied by financial receipts in the national income.

First, it must be said that there were many factors causing the fall of the ratio of China's financial receipts in the national income since reform. During the past 12

years, when the entire economy was going through drastic changes, several parts of the system nevertheless remained unchanged. This unavoidably caused friction and brought about various problems and difficulties, and this was most prominently manifested in finance. In this regard, some comrades have mentioned the problem of economic effects while other comrades have pointed to the problem of the distribution of national income slanting to the individual. It cannot be denied that these problems did cause the current financial difficulties and that many of the views on solving these problems were undoubtedly sound. However, neither the problem of economic effects nor the problem of distribution of the national income slanting favorably to the individual's side was the principal cause leading to the national finance falling into the present dilemma. There were two reasons for this: First, from an analysis of the national macroeconomy, we cannot find any conclusion that the economic effects since reform were inferior to those before reform. For example, seen from the enhanced speed of the social labor productivity rate (that is, national income calculated on constant prices and created on the average by each and every social worker) and from the increased speed of the major industrial labor productivity rate (manifested by the industrial net output value calculated according to constant prices and created on the average by each and every industrial worker), the total situation since reform was better than that before reform; during the 12 years since reform, the

phenomenon of the downturn of social labor productivity rate vanished and from beginning to end the rate has maintained an upward tendency; and the industrial labor productivity rate, though falling slightly in the first two years of reform, was on an upward trend in the majority of the years (see Diagram 2). Second, that the economic effects have not been exactly ideal has been a long-standing problem and has been closely related to the employment system of "five persons eating the rice portion of three persons" and the egalitarian distribution system of "everybody eating from the same big pot." Hence, not only was the problem not brought along by

the reform but also deep changes have occurred since reform. As for the problem to which people have attached great importance, of distribution of the national income tending to slant toward the individual, we do not consider it to be the main factor causing financial difficulties because, after all, it was not as serious as other people have claimed it to be. For example, seen from the speed of industrial labor productivity increase and the speed of the average actual increase in salaries and wages of industrial staff members and workers, the abnormal situation of the latter exceeding the former did not exist, except in 1984.

Table 1: Ratio of Government Financial Revenue to the Gross Domestic Product (GDP)

	(Unit: Percent)								
	1980	1982	1983	1984	1985	1986	1987	1988	1989
China	23.3	20.0	20.1	20.5	20.8	21.9	19.5	16.8	16.7
U.S.	32.9	34.0	32.9	32.7	33.7	33.7	34.9	34.3	
FRG	45.8	47.2	46.7	46.7	47.1	46.4	46.0	45.0	45.7
Great Britain	41.5	45.7	43.6	43.6	43.7	43.0	42.7	42.9	
France	43.5	44.9	45.5	46.5	46.7	46.2	47.0	46.5	46.2
Canada	37.8	40.7	39.4	39.8	39.6	39.9	40.3	40.4	40.3
Hungary		59.2	60.9	60.8	60.0	63.2	60.3	63.7	61.3
Romania	51.8	40.4	36.0	40.6	50.3	51.6	52.8	46.3	52.9
Yugoslavia	33.5	30.1	28.4	25.7	25.6	26.4	27.0	27.0	30.1
India*	17.2	18.6	17.9	18.6	19.6	20.2	20.5		
Indonesia*	21.9	19.9	19.7	21.0	21.2	20.3	19.9	17.0	
Singapore	25.3	29.9	31.2	29.4	38.0	37.8	31.2	28.4	
Egypt		46.5	44.2	43.2	40.0	40.6	37.1	35.9	34.9
Brazil	26.6	32.0	32.5	29.5	33.1	30.4	41.0	48.0	

Footnotes: (1) In China, calculation of financial revenue is based on the internationally used standard, minus foreign and internal loan receipts, and GNP is used in lieu of GDP; (2) *indicates noninclusion of local financial revenue.

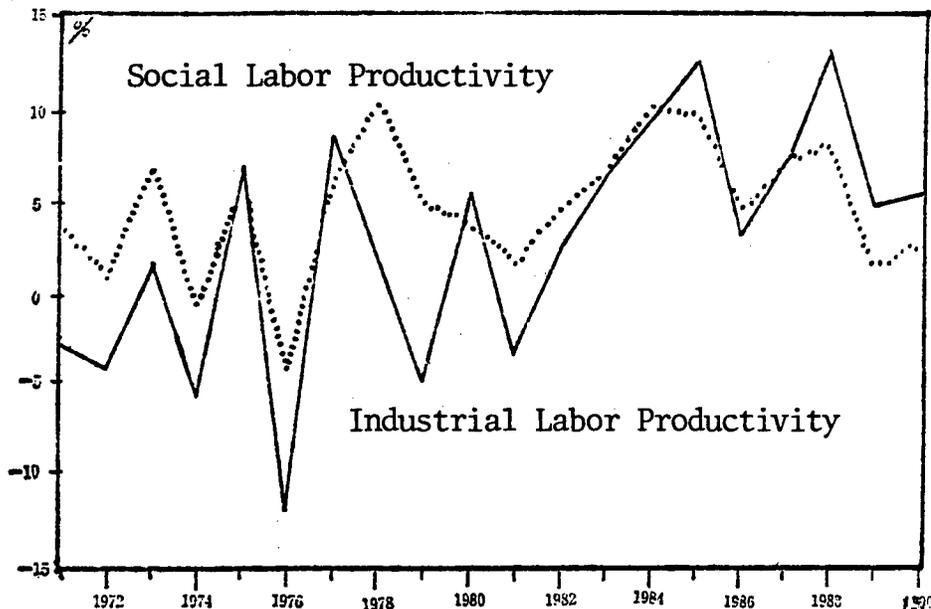
As we see it, the principal, or, we may say, the basic cause leading to China's financial difficulties is: Since reform, China's guiding thought in organizing financial receipts has not been suited to the changing situation. The financial taxation policy was not suited to the needs of reform and development. This is illustrated in that when organizing financial receipts and solving financial difficulties, the practice was to pay special attention, even confined only, to state-owned enterprises, particularly the medium and large enterprises, without attempting to study and solve the problem that enterprises under other systems of ownership should likewise shoulder a burden or obligation in respect of the state's finance. This has caused the ratio of the financial receipts of nonstate-owned economic units to their created national income being much smaller than that of state-owned enterprises. By so doing, following the rapid growth in the constituency of nonstate-owned economy, the ratio occupied by state-owned economy in the whole national economy has been falling daily, resulting naturally in the lowering of the ratio occupied by state financial receipts in the entire

national income, and financial difficulties could not be avoided. Let us now make a concrete illustrative analysis:

Concrete illustration one: Ratio occupied by financial receipts in the national income dropped following the lowering of the ratio occupied by the state-owned economy in the total economy. Due to the lack of data on the ratios of different constituents of the national economy, here industrial economy is taken as the representative. According to our calculations, from 1979 to 1990, when the ratio of the state-owned industrial gross output value in the whole industrial gross output value fell, on the average, 2 percent, the ratio of financial receipts in the national income on the average dropped about 1 percent. The relationship coefficient between the two was very high, being 0.8066.

Concrete illustration two: The ratio of nonstate-owned industry in the industrial gross output value has continuously risen but the ratio of their financial receipts (upward delivery of taxes) in their output value has been

Diagram 2. 1971-1990 Social and Industrial Labor Productivity



downward. For example, in the case of individual industries, in 1990, the ratio they occupied in the industrial gross output value increased nearly 200 percent over 1985, but the ratio of their upward delivery of taxes in their output value was falling; similarly, the ratio of output value of township and town enterprises in the gross output value was steadily rising, but the ratio of their upward delivery of taxes in their output value was also falling.

Concrete illustration three: The reason the ratio of financial receipts in the national income followed the fall in the ratio of the state-owned economy in the entire economy and fell correspondingly was because the ratio of the financial receipts of nonstate-owned economy in their created national income (net output value) was greatly lower than that of state-owned enterprises. For example, our computations show that the tax rates on the gross output value of industrial enterprises as constituents of collective, individual, and other economies were respectively 51.5 percent, 35.7 percent, and 40.8 percent of the state-owned enterprises; and in the case of the tax rates on the net output value, they were respectively 57.9 percent, 40.5 percent, and 50.3 percent of state-owned enterprises. Obviously, the tax burden was too light.

Now let us make an accounting of the financial receipts from two different angles and based on the data of the above three illustrations.

First, let us assume that the structure of the national industrial ownership system has remained unchanged at the 1978 level, and, based on the 1990 tax rates on their

gross output value, calculate the possible amounts of financial receipts which the state can derive from the industrial developments. In 1978, the ratio occupied by state-owned industry in the national gross output value was 77.63 percent and that of industry under the collective ownership system was 22.37 percent. According to computations on the basis of the 1990 tax rates on their gross output value of respectively 8.87 percent and 4.57 percent, then the financial receipts which industry could provide would exceed the 1990 actual amount by 26.49 billion yuan. This amount alone could solve the great portion of the difficulties of state finance. Naturally, this method of accounting can only provide the line of thought on problem analysis and does not possess actual workability, because there cannot be a reverse flow of time, there cannot be a reversal of the changes in the ratios of the various types of economy in industry, and, at present, the time is not suited for such a reversal. Second, let us analyze the contribution side to financial receipts by the nonstate-owned industry. In 1990, the tax rates on the gross output value of nonstate-owned industry were high, 4.57 percent, low, only 3.17 percent, and average, 4.21 percent, equivalent to only 47.46 percent of the contributions to financial receipts by state-owned industry (not including upward delivery of profits and profit-regulation taxes by state-owned industry). If it is thought that the tax burden of nonstate-owned industry is not too low but is generally intended to maintain a rational level, such as raising the tax rate on the gross output value to 7.87 percent (that is 1 percent lower than the 8.87 percent payable by state-owned industry, and this is out of consideration of the fact that state-owned industry embodies the element of

state investment and at present that the upward delivery of profits and profit regulation tax still cannot make up for this incomparative factor), then it will be possible to increase the national financial receipts by 39.75 billion yuan, since in that year the output value of nonstate-owned industry amounted to 1.086 trillion yuan. This implies that state finance in 1990 not only would not show a deficit of 13.96 billion yuan and need not borrow 19.72 billion yuan in internal loans but also would, aside from offsetting these two items, yield a surplus of 6.07 billion yuan! If this is done, will state finance still be in a state of dilemma?

Here, it is necessary to point out that on the commercial side similar problems exist. The ratio occupied by state commerce in society's commodity retail sales gross volume has fallen from 54.6 percent in 1978 before reform to 39.3 percent in 1990 while the ratio occupied by individual commerce has sharply increased from 0.1 percent to 18.9 percent. On the basis of the current taxation system and policy, this definitely has adverse effects on the state's financial receipts. Due to state commerce suffering from many deficits and losses of a policy nature, such as from foreign trade, handling of grain, and so forth, and to the lack of statistical data of a nationwide scope on the contributions to national finance from individual commerce, we have no way to make a concrete quantitative analysis. Nevertheless, a qualitative judgment is not difficult to make. Since reform, there has been a sustained "fever for commerce." The basis for this is obviously that it is much more profitable to go into business. The rapid increase in individual households going into commerce is undoubtedly caused by the fact that too little tax has been levied on them. It would be readily understood if we were to say that one of the causes of financial difficulties was that despite the rapid increase in the ratio occupied by individual commerce, their contribution from out of their financial receipts was minimal.

Summing up, we may say that the main cause of China's current financial difficulties was that following the passing of time and the progress of reform, there has been a sustained decline of the ratio in the whole national economy occupied by state economy, which had made the major contribution to national financial receipts, and that there has been an increasing growth of the ratio in the whole national economy occupied by nonstate economy, whose upward deliveries to state finance have occupied a very low ratio of their receipts.

III. Thoughts on Basic Countermeasures Against Financial Difficulties

If our analysis of the causes of the financial difficulties since reform is basically correct, then what people up to now have advocated on the two lines of thought on countermeasures against financial difficulties as mentioned below should be considered anew.

First, let us analyze the thought on the countermeasure to extricate finance from the current dilemma through

increasing financial receipts by enhancing the economic effects. Everybody has noted that enhancing the economic effects has great potential and can greatly help in improving the financial situation. However, generally speaking, enhancement of economic effects can, as far as national finance is concerned, play only the role of "adding flowers to the brocade," because enhancement of economic effects usually involves a gradually progressive procedure and its influence on financial receipts is basically manifested in adding to the income tax following the increase in profits. Hence, it cannot promptly extricate China's finance from its difficulties. Many of the comrades holding to this line of thought nearly believe that a rise in the cost of production of comparative products of state enterprises is an indication of poor economic effects and conclude that reducing production costs will increase financial receipts and extricate finance from the current dilemma. But the problem is not so simple. Here, the first problem that will confront us is whether or not production costs can be lowered. At least, since reform, every year we have demanded reduction of production costs, but in fact it has risen every year. It is true that, in regard to production costs, there are the problems of management and structure and that through exerting certain efforts, the situation may be improved somewhat. What can be done is perhaps to lessen the rise of production costs or deter their rise and make them fall slowly. Nevertheless, under the present conditions, state finance cannot derive much from reducing production costs. This is because, at present, state enterprises have to shoulder a heavy burden of income and profit regulation taxes, so much so as to make them lose their vitality and the ability for self-accumulation and self-development. To invigorate the enterprises, it is necessary to allow them to retain the greater portion of the gains from reduction of production costs. Thus, the above-mentioned line of thought on the countermeasure should be readjusted. Second, the countermeasure calling for effecting economy in financial expenditures to solve financial difficulties is hardly effective. This is because there appears to be no way at present to cut down the current general level of China's financial expenditures. In fact, in the foregoing we already mentioned this point, although we need to add that on certain aspects of administrative expenditures, the phenomenon of extravagance does exist, and there can be some effects through streamlining the administration. But basically, this is a problem of the structure being irrational, because the treatment accorded to administrative, educational, cultural, scientific and technical personnel is much too low and what can be gained from removing the extravagances would not be sufficient to improve the treatment. In short, there is little ground for cutting down the expenditures. For a long time, we have been advocating the principle in finance of "keeping expenditures within the limits of income," and naturally this principle is a correct one. However, the principle is not an absolute one and we should not reject the method of "quantifying income according to expenditures." Rather, we should resort to dialectics, try to integrate the two measures, and make a correct decision

after assessing the pros and cons on all sides. Handling financial problems always occurs at the special point of an order of continuity. It has its fixed prerequisite or basis and must face the future. Under the conditions of satisfaction of the preceding social public needs having exceeded the development level of the productive forces and made it difficult for the economy to bear and the financial power to sustain, then we must emphasize the principle of "keeping expenditures within the limits of income" and control and even cut down current expenditures; when social public needs have not yet been accorded the necessary satisfaction, or when social public needs have not been accorded the necessary satisfaction corresponding to the productive forces' development level, then the financial expenditures in this connection should be increased and efforts should be made to organize (increase) the financial receipts. This is implicating the principle of "quantifying income according to expenditures." In our opinion, China's current financial work should give due consideration to this latter principle.

Based on this information, we believe that to extricate China's national finance from its current difficulties, it will be necessary to shift the major point of work on organizing financial receipts to making the nonstate-owned economy contribute more to the country's financial receipts. Our basic countermeasure and line of thought is: state-owned, collective, and individual economies should all enjoy equality in tax burden. Proceeding on this line of thought, it will be entirely possible to solve the current financial difficulties. In the foregoing, when we analyzed the main cause of the financial difficulties, we did a little accounting and found that if we could only raise the tax rate on the gross output value of nonstate-owned industry to a level near that of state-owned industry, then the financial difficulties would basically disappear. Now we shall enlarge the scope of accounting to include whole industry and commerce, that is, if in 1990 the ratio of the tax on industry and commerce (24.94 percent) should be maintained at the 1985 level (31.03 percent), then the financial receipts would be increased 48.1 billion yuan, since the national income from industry and commerce that year was 790.2 billion yuan. By so doing, not only the entire deficit (13.96 billion yuan) reported by the Ministry of Finance and the 19.72 billion yuan of domestic loans would be wiped out, but also there would be a financial surplus of 14.4 billion yuan. We would then be able to say that finance had been extricated from the dilemma.

Having now indicated the line of thought on the basic countermeasure, what follows is the problem of how to concretely carry it out. This article does not intend to suggest a complete plan in this regard but we shall present here certain views of a propositional nature and suggest certain governing principles. First, public and private tax burdens should be unified. If we want to firmly insist on socialism, then we should still firmly insist on consolidating and developing the public ownership system as the main body. Moreover, since China's

socialism is still in the initial stage, this will demand of us that simultaneously with consolidating and developing the public ownership system, we should encourage the development of other economic constituents. On the one hand, we should not restrict the development of the nonpublic-ownership system but, on the other hand, we should not, as in the preceding years, provide them with better preferential conditions than the state-owned public ownership economy. Thus, unification of the tax burden will be suited to the circumstances and conditions and preferential treatment in taxation granted to the parties concerned should be promptly abolished. From now on, preference should be limited to those implementing the state's industrial policy, including foreign enterprises, the development of which we have encouraged, and special enterprises (such as enterprises run by disabled persons and so forth). Second, on the precondition of having a fixed general level of tax burden, the ratio of circulation tax should be raised while that of income tax should be lowered. On the one hand, this will help in equalizing public and private tax burdens and, on the other hand, it can lessen the pressure of control of production costs under present conditions. The initial proposition is that the overall tax rates on circulation taxes (including products tax, value-increment tax, business tax, and so forth) should occupy some 60 percent, or a little more, of the general level of taxes. If the industrial and commercial taxes occupy 31 percent of the national income created by industrial and commercial departments, then the various circulation taxes of the industrial and commercial departments should occupy a ratio of over 18 percent of their national income. Third, legal and administrative tactics should be well employed to solve the still outstanding phenomena of the loss of tax sources through the practices of lightly collecting heavy taxes, exempting collection of light taxes, and granting random tax reduction or exemption. In particular, the control work over private taxes should be strengthened.

In conclusion, it should be emphasized again that in this article we have avoided discussing the problem of economic effects. This categorically does not imply that we have neglected its importance but it is because we have placed special emphasis on the urgent problem of being extricated from financial difficulties. From beginning to end, we have firmly insisted on the following viewpoint: under normal conditions, and seen in the long run, enhancement of economic effects, that is, raising the value rate of surplus products, is undoubtedly the basic source of solving all socioeconomic problems and even political problems, including financial problems.

Private Economy Tax Revenues Double in 3 Years
92CE0345B Beijing ZHONGGUO SHUIWU BAO
in Chinese 17 Feb 92 p 1

[Article by Yun He (6663 0735): "A Result of the Development of the Individual Economy and the Manifestation of Tax Adjustment and Distribution: Tax Revenues Generated By the Nation's Individual and

Private Economies Doubled in Three Years—Last Year's Revenues Topped 17.9 Billion Yuan"]

[Text] According to a State Administration of Taxation report, in 1991, the state collected as much as 17.915 billion yuan in taxes from the individual and private economies, 111.97 percent of the planned annual revenue of 16 billion yuan, 3.349 billion yuan more than a year ago, and a 23 percent increase.

Last year's tax revenues from the individual economy marked another record increase since 1989. From the 9.2 billion yuan collected in 1988 to the 17.915 billion yuan last year, total revenues have nearly doubled over three years. Individual tax as a percentage of the total industrial and commercial tax has increased from 5.63 percent in 1988 to 7.77 percent in 1991, surpassing the income tax revenues generated by collective enterprises and nearly twice the sum of all local taxes. It plays an increasingly important role in the country's industrial and commercial taxation.

The main reason for the significant increase in taxes collected from the individual and private economies in recent years is that, since 1985, guided by the Party Central Committee's policy of developing in moderation the individual economy and private economy and other components of the national economy to supplement the publicly-owned economy, both the individual and private economies have shown huge growth momentum. They not only have invigorated the economy and have increased employment opportunities but have also increased state tax revenues.

The direct cause of the surge in individual tax revenues is the tax departments' effort to implement the state's policy to manage, supervise, and guide the individual and private economies. While protecting the individuals' legal operations and legitimate rights and privileges, these departments collect all taxes according to law, and while promoting enterprises' development, excess income is regulated by taxation. In recent years, the tax departments have done a good job collecting and managing taxes from the individual economy and have urged large individual households and private enterprises to set up comprehensive bookkeeping and have worked hard to disseminate tax law propaganda and education. They crack down on major tax evasion and tax fraud cases. In particular, special individual and private business tax examinations were conducted in 1989 and 1991, and these played a very important role in protecting the healthy development of individual and private economies and reducing tax evasion and tax fraud by making the individual industrial and commercial households and privately owned enterprises more aware of the tax laws and more conscious about paying taxes. They have made important contributions toward easing unfair social distribution and increasing state tax revenues.

FOREIGN TRADE, INVESTMENT

Macao Suggested as International Trade 'Gateway'

92CE0357A Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 12, 27 Dec 91 pp 35-37

[Article by Nanjing Municipal Government Economic Research Center's Wang Hai (3076 3189): "Macao: Gateway to the Opening to Latin Countries"]

[Text] Macao is a famous international commercial port on the western shores of the Pacific Ocean which has 400 years of history. Its external trade relations extend to Asia, Europe, America, and Africa. After the Opium War, Hong Kong rose rapidly, while Macao gradually declined for various reasons. For a long time, it relied on gambling as the mainstay of its economy and was called the "Oriental Monte Carlo."

The modern take off of the Macao economy began in the 1970's. Hong Kong firms made use of the trading advantages of Macao's international relations and transferred some export processing industries to Macao, beginning Macao's distinctive economic development. During the 1970's, Macao's average annual growth went as high as 16.7 percent and was even named the world's fastest. As is true today, export processing industries, tourism and gambling, construction land purchases, and finance and insurance were the mainstays of the Macao economy.

Since the 1980's, because of the Chinese opening to the outside and the rapid rise of the East Asian economy, Macao met with new opportunities for development.

In China's opening to the outside, Hong Kong and Macao, the two international exchange hubs, have always been the most important gateways. According to statistics, in the 1980's, two-thirds of the foreign investment was attracted to the Chinese interior, one-third of the foreign trade, two-fifths of the export receipts, nine-tenths of the foreign tourists, and one-fourth of the foreign contract projects and labor agreements came from Hong Kong or Macao, primarily Hong Kong.

For historical reasons, Hong Kong is closer to such English-speaking countries as the United States, Britain, Canada, and Australia. According to statistics in the *Hong Kong Economic Yearbook*, with the exception of neighboring East Asian nations, English-speaking countries are the main partners in Hong Kong's foreign commodity, fiscal, and personnel exchanges. France and Italy are stronger economic powers than Britain, Canada, and Australia, but their trade with Hong Kong is lower than that of these English-speaking countries. Hong Kong's four major sources of investment are Britain, the United States, interior China, and Japan—English-speaking nations constitute half. When Hong Kong people travel abroad, the United States, Britain, Canada, and Australia rank first among non-East Asian countries. More than 10 times as many actually go to

Britain and Canada than to the major world tourist countries of France, Italy, and Spain.

For a long time, Hong Kong has been a linguistic and cultural environment where Chinese and English are equally stressed, more than 90 percent of the middle schools use English as the medium of instruction, and the vast majority of Hong Kong's people can speak English. Although English is the most widely used international language, it by no means can cover the entire globe. Actually, just over 70 countries and territories, one-third of those in the world, use English in varying degrees. In southern Europe, Africa, and Latin America, most countries use Romance languages such as French, Spanish, and Portuguese as the medium of international exchange. The use of English is thus very limited. Hong Kong's general use of English is helpful for close relations with English-speaking countries, but this is also a reason why it is difficult for them to link up with non-English-speaking countries.

Hong Kong is China's major gateway to foreign exchange, and limitations in Hong Kong's foreign relations directly restrict China's opening up process. Recently, China's trans-Hong Kong trade with the United States caused a serious trade controversy between China and the United States. Actually, a considerable portion of the inland Chinese products transferred to the United States through Hong Kong were retransferred by the United States to Mexico and even were again transferred by Mexico to other Latin American countries. Because there are not enough links, China's direct exports to Mexico in 1988 came to just over US\$10 million. Exports to all of Latin America only amounted to US\$380 million. About the same as the US\$330 million that Pakistan exports to English-speaking countries—and the former is a continent with a medium economic development while the latter is only a developing country.

The countries in the world that have such Romance languages as French Spanish, Portuguese, and Italian as their first language can be called "Latin countries." There are more than 30 of them, including France, Italy, Portugal, Spain, Brazil, Mexico, and Argentina, and they constitute one-ninth of the world's population and one-sixth of the world's gross national product—making them rather formidable economic and technological powers. But their trade with China makes up only 7.8 percent of China's foreign trade, and those coming to China to invest directly make up only 1.2 percent of foreign investment in China—not on a par with the economic power and international influence of Latin countries. The reason is to be found in the absence of a developed bilingual cultural environment exchange hub like Hong Kong between China and the Latin countries.

With the continued intensification of China's opening to the outside, we cannot continue to rely only on Hong Kong in the face of a complicated and changeable international market, and we must add more gateways for this purpose. Actually, in addition to the more than

30 Latin countries, there are over 50 other countries and territories that use Romance languages. If we add the two together, there is a total of more than 80, one-third of those in the world, even more than the countries using English. If we also establish a "second Hong Kong" with links to the Latin countries, that is a Hong Kong style international exchange hub that has developed a bilingual Chinese and foreign cultural environment, China could develop close economic and technological exchanges with more than two-thirds of the world's nations.

Because of China's opening and East Asia's sudden rise, the nations of the world, including the Latin countries, all are eager to expand economic exchanges with East Asia. An article in the United States *Commercial Weekly* pointed out that Hawaii, with its background of U.S. and Asian cultural pluralism acts as "a bridge linking the United States and Asia and an entrance to the Pacific century." France, the most developed Latin country, also is eagerly seeking a springboard to East Asia, "the world's most active market," and is prepared to "return to Southeast Asia." The foreign minister of Brazil, the world's largest Portuguese-speaking country, not long ago also indicated that Brazil and China "have huge potential and broad prospects for further developing relations" and he hopes to expand economic and trade relations with China.

Macao—adjacent to Hong Kong—like Hong Kong, has the advantage of being situated as a communications center of East Asia and could become an important gateway for China's opening to the numerous Latin countries along with becoming an important hub for the Latin countries to expand economic exchanges with China and East Asia.

—Macao has a bilingual cultural environment which would benefit Chinese-Latin exchanges. In Macao Chinese and Portuguese are equally official languages, and this is of direct benefit to China's developing economic exchanges with more than ten Portuguese-speaking countries, including Portugal, Brazil, Angola, and Mozambique. Among these the land area of Brazil ranks fifth in the world, its population ranks sixth, and, economically, it is one of the ten strongest nations in the world. It is a vast territory with abundant resources. The underground resources of the Amazon region alone are valued at US\$30 trillion, and it has a great deal of developmental potential, but current Chinese-Brazilian exchanges are extremely limited. China's exports to Brazil make up only one-tenth of their imports. If we consider this point, we should establish Macao as a bridge for Chinese-Brazilian exchanges. More importantly, such Latin countries as France, Italy, Portugal, Spain, Brazil, Mexico, and Argentina with a Romance language as their first language, in addition to language, clearly have many other things in common, including nationality, culture, history, religion, and law and have strong popular, geographic, historical, and literary relations. For example, they all believe in Roman

Catholicism, and they all have adopted the Roman legal system. So, mutual exchanges are extremely convenient and extremely close, forming a distinctive unit in the world's economic and cultural life. Not long ago when the Iberian American countries' summit was convened, it gave expression to the fact that in the close relations among the Spanish and Portuguese speaking countries of Europe and America "blood is thicker than water." French and Spanish, which are close to Portuguese, are second and third only to English as international languages. In addition to the Latin countries, they also are in common use in more than 50 countries and territories and have important economic, technological, and cultural value. Macao has a bilingual Chinese and Latin cultural environment and is the only place in East Asia where the Eastern Chinese culture and the Western Latin culture converge, providing a good base for expanding Chinese exchanges with Latin countries.

—Macao has a tradition of broad relations with Latin countries. Macao has a long history of over 400 years of economic and cultural exchanges with Latin countries, and has been a trading center connecting Asia with the Latin countries of Europe and America. Right up to the 1960's, Portuguese-speaking countries were the primary market for Macao's products. Presently, a number of Latin countries are among Macao's more than 100 trading partners; France, Italy, and Portugal all are important trading partners. Among Macao's foreign investment banks, the vast majority are from such Latin countries as Portugal, France, and Brazil. One of them also comes from Angola, where Portuguese is commonly used. Historically, the first Italian to totally link up Chinese and Western culture, Matteo Ricci, entered China from Macao. Such Latin American crops as pineapple, hot pepper, and tobacco also spread to China from Macao. Macao's present foreign residents come from more than 50 countries, the majority of them Latin countries, and there are even those from such distant small Latin countries as Guinea-Bissau and Honduras. Among Macao's tens of thousands of returned overseas Chinese, there also are a great many from such French-speaking African countries as Madagascar. Even now Macao maintains countless close ties with Latin countries in the areas of economics, culture, science and technology, among numerous others.

Macao has a free port system which would be convenient to Chinese-Latin exchanges. Macao has always had a free port policy and a low tax system, free import and export of commodities and foreign exchange funds, free management, free entry and exit of people, and convenient procedures. They levy an excise tax only on a few commodities such as tobacco and alcohol, and the income tax rate is lower than Hong Kong's, which is extremely helpful in promoting Macao's foreign economic exchanges.

Macao has the same linguistic and cultural environment as the Latin countries and traditional economic and

trade relations, as well as all of the conditions of a free port. This is unique to China and even East Asia. According to the Chinese and the Portuguese governments' joint communique on the Macao issue, these conditions will be maintained. By utilizing these advantages and further cultivating and developing them, Macao certainly can become an important gateway for China's opening to the large number of Latin countries, and can become a prosperous international economic exchange hub like Hong Kong.

Macao can become China's door opening to the Latin countries, though this is only a possibility. Macao has several problems, including a scarcity of qualified people, narrow and small territory, and a weak infrastructure, all of which severely inhibit Macao's role as a hub for Chinese and Latin exchanges. We must adopt the strong and even special measures necessary to resolve these problems, so that Macao can realize its developmental goals as soon as possible.

We must train and bring in a great many people who are qualified in both Chinese and Romance languages. As Macao enters a transition period, we must establish the official position of Chinese, but we also should still retain Portuguese as the regular language of Macao. Also, based on the requirements of Chinese-Latin exchanges, we should gradually introduce Romance languages such as French and Spanish that are close to Portuguese and are in more widespread use for use in Macao's trade and technology. We should be enthusiastic about training people who are qualified in both Chinese and Romance languages, encourage the Chinese people of Macao to study Romance languages such as Portuguese, French, and Spanish, and should encourage Macao's residents of Portuguese descent to study Chinese. We also could consider bringing in people from the Chinese interior and from Latin countries who are qualified in Chinese and Romance languages to form a developed bilingual Chinese and Latin cultural environment as quickly as possible in order to facilitate the development of Chinese economic, technological, and cultural exchanges with the more than 80 nations in which Romance languages are in common use.

We must change Macao's geographical situation—a narrow land with few people—and must actively develop Macao's neighbor Hengqindao. Hengqindao, separated from Macao by only a strip of water, has three times the area of Macao, and after it is developed, it could house several hundred thousand people. To promote the development of Hengqindao, and in view of the specific characteristics of this development, we should consider establishing a Hengqindao special zone to implement policies which are geared more toward the integral development of Hengqindao and Macao than to Shenzhen and Zhuhai. We should also work to achieve free entry and exit of people, commodities, and funds with Macao, establish an investment environment similar to Macao's, and attract firms from Macao as well as foreign firms from Latin countries to come invest and do business. In this way we can make Macao grow into an

international metropolis as quickly as possible and make it into a second Hong Kong, thereby placing the initiative for the development of Chinese-Latin exchanges in China's own hands.

We must enhance the infrastructure and actively strive for the early establishment of an international airport and a deep water port in Macao, directly hooking Macao up with the transportations links of the outside world. We must also strive to start construction at an early date on a high-speed Guangdong-Zhuhai-Macao highway and Guangdong-Zhuhai-Macao rail line, opening Macao's transportation links with the interior.

Establishing Macao as the door to China's opening to the Latin countries will help in all respects to promote Macao's prosperity and stability and to promote China's opening to the outside and foreign economic and technological exchanges. It has great positive significance for Macao, for Hong Kong, for the Chinese mainland, for Portugal, for East Asia, for the Latin countries, and for world peace and development. We can now set out to construct this great gateway for Chinese-foreign exchanges.

AGRICULTURE

Chen Junsheng Report on Cattle Raising

*OW0503142892 Beijing XINHUA Domestic Service
in Chinese 0620 GMT 5 Mar 92*

["Investigative Report on Cattle Raising and Biodegradation of Digested Straw in Zhoukou Prefecture, Henan Province" by Chen Junsheng]

[Text] Beijing, 5 Mar (XINHUA)—Recently, I conducted an investigation of cattle raising and biodegradation of digested straw in Henan Province, primarily Zhoukou Prefecture, visiting some 20 cattle-raising households and several tannery, leather processing, and fodder processing factories in Shangshui, Huaiyang, Shenqiu, and Fugou Counties; as well as attending discussions with provincial, prefectural, county, township, and village cadres.

I. Remarkable Achievements in Cattle Raising and Biodegradation of Digested Straw in Zhoukou Prefecture and Henan

According to a briefing by the Animal Husbandry Department of the Ministry of Agriculture, five years ago, the four pastoral provinces were the top four in the country in the number of cattle in stock; but by 1990, they had already been replaced by Henan, Shandong, Anhui, and Sichuan. This explains the great potential and bright prospects for developing animal husbandry, especially herbivorous livestock, in the agricultural plains.

By 1990, Henan already ranked top in the country in the number of cattle in stock (8.814 million head) and cattle slaughtered (1.679 million head) and in the output of

beef (240,000 tons), while Zhoukou topped other prefectures in the province with 1.23 million head in stock and 316,000 head slaughtered.

The remarkable achievements in cattle raising scored by the agricultural plains in China's hinterland can be attributed to the following five main factors:

1. Good policy: Shortly after liberation, some progress was made in raising large animals. During the Cooperative Movement, however, peasant households were allowed to raise only pigs and not cattle, horses, and other large animals. Due to the restrictions on cattle raising by collectives, little progress was made during the movement. Thanks to the implementation of the household contract responsibility system following the Third Plenary Session of the 11th CPC Central Committee, peasants can now make decisions on their own in production and management. They are allowed not only to raise but also to slaughter and sell cattle, which is no longer regarded as destructive to the productive forces. Especially in recent years, along with the opening of markets and price decontrol, cattle have become a major commodity. Because peasants can freely raise cattle, the pace of raising cattle has accelerated noticeably. Compared with 18,000 head of cattle in stock in 1978, Zhoukou has increased its cattle by 17 times. Of the 20-odd farming households I visited in the prefecture, none had misgivings about raising cattle. They attributed this primarily to the party's good policy.

2. Good profit: Almost each and every household in the villages I visited raised cattle, generally two to three or six to seven head. It costs about 300 to 400 yuan to buy a calf, which is fed on ammoniated wheat straw and silage corn straw in the initial stage, and on an addition of concentrated feed (mainly cotton and vegetable seed cakes, bran and chaff) in the latter stage (about three months); that is all. After nine to 10 months, a head of cattle can be sold at around 1,200 yuan. After deducting the costs for buying the calf and concentrated feed, the net profit is generally about 500 to 600 yuan, or between 600 to 800 yuan, and some even exceed 1,000 yuan. In Maozhai Village, Bankou Township in Huaiyang County, I saw a plump and sturdy bull raised by village committee chairman Mao Zhenyin. He spent 700 yuan for it as a calf plus 300 yuan for concentrated feed; for a cost of 1,000 yuan, he still turned down an offer of 2,200 yuan in the market for the bull. In other words, the net profit for his bull is 1,200 yuan.

According to comrades in Zhoukou Prefecture, every household has the conditions for cattle raising—it requires a small investment and short period of time but can yield quick returns. Moreover, the security risk of raising cattle is smaller than pigs and chickens because cattle do not contract diseases easily. There is a jingle among the local peasants: "Raising two head of cattle, one will have enough spending money; raising three head of cattle, one can build a one-storey house each year;

raising four head of cattle, money will keep pouring in." This shows how peasants regard cattle raising as leading to prosperity.

3. A source of abundant feed supply is developed. In the past, the straw from crops in Henan and Zhoukou Prefecture were generally all being burnt. They were either burnt in the fields or used as firewood. That caused pollution and was a waste. Since 1986, only cotton stalks and paulownia twigs are used as firewood, and the ensilage of corn straw and ammoniation of wheat straw were promoted throughout the province. In 1991, the province produced 1.88 million tons of ensilage and 300,000 tons of ammoniated straw, respectively, 16.9 and 11 times that of 1986. The development of coarse fodder resources provides a way in which straw replaces grain as feed in meat production, and 2 to 3 mu of straws can feed a herd of cattle. According to scientific analysis, after straw is ammonified, the amount of food absorbed and the rate of digestion rise by about 20 percent and the quantity of crude protein increases one to two times. One kg of ammoniated straw is equivalent to the nutritious value of 0.4 to 0.5 units of oat feed. Moreover, the process of ammonification is very simple. Wheat straw is cut into 3 to 5 cm lengths, and 2 kg of ammonia, 1.5 kg of lime and 30 kg of water are added to every 100 kg of wheat straw. They are then placed in a trench 1 meter wide, 2 meters long and 1 meter deep, mixed evenly, compressed, and covered tightly with plastic sheets. It takes 50 days in winter, 20 days in spring and autumn, and 7 to 10 days in summer for the straw to be fully ammonified. A typical peasant household has two trenches for ammonification. With proper instruction, every peasant will know how to do it. This process can be vigorously promoted in all agricultural areas in the plains.

4. A community service structure is initially formed. Zhoukou Prefecture has formed an initial network at prefecture, county, and township levels for the breeding of good strains, prevention and treatment of diseases, and guidance of technology. There are 182 townships in the prefecture with 556 outlets for the distribution of frozen semen, and in 1991, 154,000 head of cattle were inseminated with frozen semen in 1991, 78,000 head converted into beef cattle. Moreover, there are abattoirs and tanneries in the area, and peasants have no difficulties in selling their cattle. Thus, the prefecture has no problem with developing cattle farming.

5. Leaderships at all levels attach importance to the matter. Government leaders of Henan Province and governments at all levels have shown great concern and support for cattle farming. This has enabled animal husbandry to grow from subsidiary farming to become a fairly independent, large industry. Zhoukou Prefecture regards cattle farming as a pillar industry in its economic development. Zhoukou prefectural party committee and administrative office have proposed stabilizing policies, strengthening services, optimizing the structure, and pressing ahead with modern raising methods, large-scale

operation, and seriated processing with the aim of developing the commodity economy and by focusing on grazing animals.

The above are the five important principles as well as fundamental experience by which the cattle industry in Henan Province and Zhoukou Prefecture has developed rather quickly.

II. Using Straw To Raise Cattle Is a Very Meaningful Business

Viewed from the point of practical significance and purpose:

1. We can utilize huge amounts of straw. A large portion of the straw in many parts of China is burnt, and many places continue to do so at present. It is not only a waste but also pollutes the environment. Some localities have even come to regard the disposal of straw a big problem. China produces over 400 million tons of grain annually, and at the same time over 500 million tons of straw. This is roughly 50 times the annual grass output of the northern grassland. On top of that, the agricultural regions also produce a large quantity of byproducts, like cottonseed cake, rapeseed cake and bran, that can be used as feed for grazing animals. However, the quantity being used at present is insufficient, and only 2 percent of the feed for grazing animals is straw that has been ensiled and ammonified. In Zhoukou Prefecture where the cattle industry is developing quite quickly, the annual output of straw is 5 billion kg, and only around 600 million kg, or 12 percent, are being ensiled or ammoniated. The situation can improve greatly if we raise more grazing animals like cattle and sheep. In the Eight Five-Year Plan, if we annually produce 60 million tons of ensilage (equivalent to 15 million tons of air-dried straw) and 30 million tons of ammoniated straw, totaling 45 million tons of straw in all and making up 9 percent of total straw output, we can save over 20 million tons of grain each year. If we raise this percentage to 20, it means we can recover over 40 million tons of grain through the use of straw. There is very great significance in this.

2. Biodegradation of digested straw excreted from cattle can yield not only marked economic and social but also ecological benefits. In Zhoukou Prefecture, the soil contained 1.08 percent of organic substances in 1980. Because of extensive cattle raising, organic fertilizers increased from 6.1 billion jin in 1980 to 18.37 billion jin in 1990, thus raising the organic substances by 0.11 percentage point to 1.19 percent. The increased organic substances have enhanced the farmland's capability to resist natural disasters while cutting back the use of chemical fertilizers and lowering the cost of grain production.

The strategic significance and role of feeding cattle on straw are as follows:

1. Feeding cattle on straw can help the masses of peasants to make the transition from just having enough to

eat and wear to becoming prosperous. At present, the masses of peasants have basically solved the problems of food and clothing; even in the poor areas, over 90 percent of the population need not worry about having enough to eat and wear anymore. To become prosperous is the fixed goal of governments at all levels and peasants at large. The "decision" adopted by the Eighth Plenary Session of the 13th CPC Central Committee has pointed out: "Without prosperity among peasants, it is impossible to realize prosperity in the whole country." How can this goal be achieved? Different measures and courses have been adopted according to the reality of each locality. The large number of rural villages in the southeastern coastal region have actively developed export-oriented agriculture, and village and township enterprises, while the vast mountainous areas have gone all out to exploit mountain resources and promote pillar industries. What course should the plains in the hinterland follow? The facts have proved that the endeavor to develop animal husbandry and thus spur the development of village and township enterprises can yield fruitful results. Zhoukou Prefecture increased its animal husbandry output value from 118 million yuan in 1978 to 1.16 billion yuan in 1990, or raising its ratio to the gross output value of agriculture from 11.4 to 20.4 percent. A large portion of the per capita net income of peasants derived from cattle raising. There is a saying in the prefecture: "Driving cattle and marching toward prosperity."

2. It can also help people improve the structure of their diet. Along with economic and social development, the people's diet has also changed. The proportion of grain directly consumed by people has slowly decreased, while the consumption of animal products, bean products, vegetables, fruits, and aquatic products have increased. The per capita grain ration had dropped by an average of 4 kg per year from 290.3 kg in 1986 to 274.3 kg in 1990, and is projected to continue to decrease by at least around 1 kg per year for the next decade. Per capita consumption of meat had increased from 8.9 kg in 1978 to 25.3 kg in 1990. The consumption of meat was mainly in pork, with beef and mutton each constituting 1 kg. In the future, the proportion of beef and mutton should be gradually increased. This is because, on the one hand, beef and mutton have a higher nutritional value and, on the other, feeding cattle on straw can cut down the consumption of fodder grain. Early preparations must be made to ensure the success of this endeavor.

III. Several Suggestions for Further Developing Cattle Raising in Zhoukou Prefecture

1. It is necessary to increase the quantity and improve the quality. After several days of observation, my impression was that despite the fast progress and great potential, the development of cattle raising in Zhoukou Prefecture is not even. Some counties, townships, and villages are still at a spontaneous stage, and lack proper organizational and guidance work. In the future, where conditions permit, it is necessary to encourage farm households to raise more cattle. As far as this issue is

concerned, we should further emancipate thinking and take bolder steps. During the Eighth Five-Year Plan period, it is entirely possible for each rural household in Henan to raise two head of cattle on the average; and Zhoukou Prefecture should be the first to do so. While increasing the quantity, it is also necessary to breed good strain, practice scientific feeding, and shorten the fattening period so as to reduce the cost and increase returns.

2. Further improve the seriated services. The main point lies in building the structures at prefecture, county, and township levels for breeding good strains, preventing diseases, and processing and supplying animal feed with a view to providing the peasants with comprehensive services before, during, and after production. As the animal husbandry expands, the peasants' demand for seriated services becomes increasingly pressing. It is very important to do well beforehand with work in this regard.

3. Gradually bring about the integration of animal husbandry, industry, and commerce. The main point lies in pursuing all-around development, carrying out processing at a deeper level, and raising value several times. This not only improves the income of peasants but also provides the drive for rural enterprise and local industries to develop. It also provides more jobs for the people. We can emulate Zhucheng city in Shandong Province where peasant households are led forward by enterprises. In this manner, the road ahead will become wider and wider. Zhang Xingya, the general manager of Xinya Corporation in Shenqiu County's Liufu Town, has applied to set up an agricultural-industrial-commercial development group company. Its aim includes helping the neighboring towns and townships to vigorously develop animal husbandry. He intends to set up a ranch for breeding good strains, and, in addition to pigs and sheep, raise 10,000 head of cattle. He plans to supply calves to peasant households free of charge, and let them pay him back after they have raised and sold their cattle. In this manner, cattle farming alone will involve some 20,000 peasant households.

4. Vigorously press ahead with the integration of agriculture, science, and education. Cattle farming must also rely on scientific and technological progress, and the training of skilled personnel. At present, the variety of cattle raised by peasants still comes from local areas, and the wheat straw used as feed have yet to be ammonified. In future, we should promote good strains, the ammonification of straw, detoxification of cottonseed cakes, and other new applied technologies to improve the quality and efficiency of cattle farming. Hence, we must conduct vocational and technical training in rural areas, train cattle-farming households in rotation, and improve the standard of modern cattle farming as soon as possible. In addition, we must write guidance materials, and produce video and cassette tapes to disseminate knowledge on cattle farming to wider areas. Secondary and primary schools in the countryside should also include knowledge on cattle farming in their classes.

5. Study and draw up some corresponding policies and measures. At present, the policies and measures introduced by the province, prefectures, and counties should remain stable and unchanged. On top of that, they must take another step forward in two areas. First, in organizing measures, animal husbandry bureaus and stations in counties and townships should transform from performing only administrative functions and take the path of "small government, big service," like Xixian County in Shanxi County, by setting up economic development and service entities to provide seriated services directly to the tens of thousands of cattle-farming households. They, and the peasant households should form into one body that shares common interests. Next, they must draw up concrete measures to encourage peasants to raise more cattle, and cadets and technical personnel in counties and townships to care and support the cattle industry. In their undertakings, they must be realistic and should not issue commands or resort to deception. They must do a sound job.

This study makes me realize that China's animal husbandry has very great potential for development, and its outlook makes one optimistic. While furthering efforts to develop the grassland and pastoral regions, we must also focus on and tackle animal husbandry in the vast agricultural regions like walking with two legs. To further promote and support the development of animal husbandry, the state should provide the necessary assistance. In this manner, with everyone working together and a few years of hard work, there is bound to be further progress.

Afforestation Projects Provide Nationwide Dividends

*OW0703142592 Beijing XINHUA in English
1401 GMT 7 Mar 92*

[Text] Beijing, March 7 (XINHUA)—Over 29 million ha of arable land in China are now protected by trees,

thanks to a nationwide project to afforest the country's vast plains, which account for 15 percent of the total land.

Zhu Guangyao, Afforestation Department director of the Ministry of Forestry, said that 508 of 915 plains counties have reached the national standards, which require that trees must surround fields and houses, and line the banks of ditches and streams.

So far, 73.5 percent of the fields which can be planted with trees have been greened, and 9.3 percent of the pastoral areas are surrounded by forests, the official said.

China's vast plains in the northeast, north and south accommodate 45 percent of country's total population. These areas were threatened by worsening ecological conditions and increasing soil erosion some three years ago, due to reckless exploitation.

To bring the situation under control, China decided to plant more trees in areas where this is possible. Then national standards were mapped out by the ministry of forestry, in accordance with different weather and soil conditions.

These counties now have nearly 20 million ha [hectare] of forests, with the forest coverage in these areas rising to 12.5 percent from 10.4 percent in 1988.

Expressing satisfaction with the progress China has made in greening the plain areas, Zhu also admitted that China is faced with a harsh task ahead in greening the rest of the plains areas. So he called on the localities to increase investment and make use of the existing advanced science and technology measures to step up the afforestation drive.

QIUSHI New Year Message on Dynamic Socialism

HK2502011392 Beijing QIUSHI in Chinese No 1, 1 Jan 92, pp 2-4

[New Year Message: "Dynamic Socialism Is Created by Masses of People"]

[Text] The year 1991 is over and the year 1992 has arrived. We would like to take this opportunity to give our warmest regards to the people of all nationalities who are working industriously for the socialist modernization of the motherland. We would also like to wish everyone a very happy new year.

Looking back, as the new year begins, over the four decades and more since the founding of the PRC, we can say with pride that our socialist cause has achieved tremendous successes. These successes have been achieved by the people of the whole country as a result of fully bringing into play the enthusiasm and creativity of socialism under the correct leadership of the CPC. Although we have encountered all kinds of setbacks on our way of advance, we Chinese people who have become masters of our own destiny have continued to play our great role as makers of history in developing industrial and agricultural production and giving expression to the superiority of socialism. Since the Third Plenary Session of the 11th CPC Central Committee, in particular, the enthusiasm and creativity of the masses of the people have been aroused to a new height. This has been possible because the party Central Committee with Comrade Deng Xiaoping as the nucleus has restored and carried forward the ideological line of seeking truth from facts advocated by Comrade Mao Zedong, further upheld the scientific principle that the people are the makers of history, and firmly believed in and relied on the people. As Lenin profoundly pointed out: "Socialism with its vitality and creativity is established by the masses of the people." The socialist cause is the people's cause, and the great creativity of the people is the driving force behind the vigorous development of the socialist cause.

Our party and state are now in a crucial period of historical development. We are confronted with formidable and arduous tasks in our endeavor to build socialism with Chinese characteristics and frustrate attempts at peaceful evolution by anti-communist and anti-socialist forces at home and abroad. We must rely on the strength of the masses to accomplish these tasks. As Comrade Jiang Zemin emphatically pointed out in his speech at the Fifth Plenary Session of the 13th CPC Central Committee, tasks have to be completed by the masses, experience has to be accumulated by the masses, new things have to be created by the masses, and difficulties have to be overcome by the masses. Historical experience has proved time and again that our socialist cause will make mistakes and suffer setbacks whenever it becomes estranged from the strength of the masses of the people and from the historical initiative,

enthusiasm and creativity of the masses of the people. No matter how correct our party's principles and policies may be, they can never be realized without the support of the broad masses, without their struggle to see them through to the end. Provided that the masses of the people display an active and creative spirit, the socialist cause will be able to develop smoothly, and no difficulty, however big, can stop our victorious advance.

The socialist cause is faced with a rigorous test in the 1990's. Whether or not our socialist cause can develop smoothly and succeed depends to a large extent on whether or not we can boost the national economy and provide socialism with a strong material base. To realize this grand plan, we must arouse the socialist enthusiasm of the people of the whole country, work hard with one heart and one mind, and make sure that each and every person has a chance to give full scope to his or her own wisdom and resourcefulness. We must all fight for the victorious fulfillment of the 10-Year Program and Eighth Five-Year Plan and for the realization of the second-step strategic objective for the development of the national economy.

We must further concentrate efforts on the revamping of large and medium state enterprises, enhance their vitality and improve their economic performance. Large and medium state enterprises constitute the cornerstone of the socialist economy, the pillar of the national economy and the main source of state revenue. The revamping of large and medium state enterprises will be of important economic and political significance to the development of the economy, the consolidation of political power, the maintenance of social stability, the improvement of people's livelihood and the demonstration of the superiority of socialism. We must give greater prominence to the revamping of large and medium state enterprises and regard this as the focus of economic work and as the central task of urban economic restructuring. This is a task that involves considerable difficulties. Here, the crucial point is that we must truly implement the principle of wholeheartedly relying on the masses and fully bring into play the enthusiasm of the staff and workers. The workers are the masters of state enterprises. They have great enthusiasm for building socialism. This is the mass base for the further revamping of large and medium state enterprises; it is also where the greatest superiority of socialist enterprises lies. Provided that we fully respect the creative initiative of the masses, truly let the staff and workers manage their own affairs, and see to it that laborers work at their respective posts as masters of the house, the task of revamping large and medium state enterprises can definitely be fulfilled.

We must resolutely implement the "Decision on Several Questions Concerning the Further Strengthening of Agricultural and Rural Work" adopted by the recent Eighth Plenary Session of the 13th CPC Central Committee. Agriculture is the foundation of economic development, social stability and the ability of the nation to stand on its own two feet. The question of the peasants and the rural areas remains the fundamental question of

Chinese revolution and construction. To open up new prospects for agricultural and rural work in the course of fully realizing the second-step strategic objective for economic and social development, further efforts must be made to arouse the socialist enthusiasm of all peasants. We must arouse their innovative and enterprising spirit as well as their sense of responsibility as masters of the house. The responsibility system with contracted household responsibility related to output as the main form and the management system in which unified management is combined with separate management are now universally practiced in rural areas. In the implementation of these systems, it is necessary to take care of the enthusiasm of both sides involved so that the superiority of collective and unified management as well as the enthusiasm of the contracting peasant households can be brought into play. Only in this way can we properly unfold agricultural and rural work and implement and fulfill the decision of the Eighth Plenary Session.

We must attach great importance to and vigorously develop science and technology. This is the key to, and guarantee of, the fulfillment of the Eighth Five-Year Plan and the 10-Year Program. That science and technology are productive forces is a basic Marxist viewpoint. Today, modern science and technology are developing by leaps and bounds and extensively penetrating into various spheres of social life. They are affecting the world economy and social development in an increasingly more profound way and have become a tremendous force pushing history forward. The key to the further development of the social productive forces and the realization of socialist modernization in the next 10 years lies in the development of science and technology. Our modernization of agriculture, industry, and national defense cannot succeed without the modernization of science and technology. In the development of science and technology, we also need to rely on the enthusiasm and creativity of laborers. Science and technology are created by man and have to be mastered by man. The key role of science and technology in developing the productive forces must be realized by man. The conclusion that science and technology are primary productive forces and the conclusion that man is the most active factor in the productive forces are in complete accord. Competition in the field of science and technology today is ultimately a competition of ability. Fully arousing the enthusiasm and creativity of scientific and technological personnel, and encouraging the vast numbers of staff and workers to study and grasp science and technology, respect knowledge, respect ability and train persons of ability is one of the most pressing tasks before us.

Arousing and bringing into play the enthusiasm and creativity of the masses of the people involves a lot of hard work. In this connection, the most important thing is to show concern for the material interests of the masses economically and effectively protect the democratic rights of the masses politically. This requires that practices not favorable to arousing the enthusiasm of the

masses be eliminated through the intensification of reforms. Since the commencement of economic improvement and rectification, we have achieved notable successes in various fields, thereby creating favorable conditions and more room for the further promotion of socialist reforms. While consolidating and developing the fruits of economic improvement and rectification, we must seize the opportunity to increase the intensity of reform, and strive to stimulate and arouse the enthusiasm and creativity of the masses and accelerate the development of the productive forces through reform. At present, some deep-rooted problems are still awaiting solution in the economic realm. In certain aspects of the relations of production and in certain links of the superstructure, there still exist drawbacks that hamper the development of productive forces. We must, in accordance with the guidelines and plans of the Seventh Plenary Session of the 13th CPC Central Committee, the working conference of the Central Committee and the Eighth Plenary Session, positively and steadily eliminate these drawbacks in a guided and systematic way to guarantee the smooth development of socialist modernization.

Arousing and bringing into play the enthusiasm and creativity of the masses of the people also requires deep-going and extensive education on patriotism, collectivism, and socialism. The party's ideological and political work has always been a political supremacy of ours. Comrade Mao Zedong pointed out: "The basic principle of Marxism-Leninism is to help the masses understand their own interests, and unite to fight for their own interests." The socialist road with Chinese characteristics is an objective law governing the development of Chinese history; it is also where the fundamental interests of the masses of the people lie. We must make use of ideological and political education to help the masses of the people understand that their destiny is tied to the rise and decline of the socialist motherland, that the antagonism and struggle between the four cardinal principles and bourgeois liberalization are essentially the antagonism and struggle between defending or negating national independence, sovereignty, and the fundamental interests of the masses of the people. As a result of abandoning the socialist system, some countries are now confronted with economic crises and social chaos. They have brought nothing but unemployment, poverty, shortages, and fear to their people. Facts have proved that it is only under socialism that a country can prosper, that the masses of the people can become the joint owners of the means and fruits of production as well as the masters of the country and the society. In conducting ideological and political education, it is also necessary to pay attention to the solution of practical problems of the greatest concern to the masses, so that the masses can feel the warmth of the party and the superiority of socialism through tangible benefits. This way, they will plunge into the cause of socialist construction, reform and opening up with firm socialist belief, great political fervor, and a high sense of responsibility as masters of the country.

Party building, another important question that is likely to affect the arousing of people's enthusiasm and creativity, also needs to be further strengthened. In the new historical period, our party shoulders the heavy historic task of socialist modernization and is faced with tests of running the country, carrying out reform, opening the country to the outside world, developing the commodity economy, and fighting peaceful evolution. To fulfill this solemn mission, the party must rely on its correct line, principles and policies. It cannot do without the role of party organizations as fighting bastions, or the exemplary vanguard role of party members. We may even say that whether or not the party's correct line, principles, and policies can be implemented and whether or not the enthusiasm and creativity of the masses can be aroused and brought into play directly depends on the role of party organizations at all levels and of the vast numbers of party members. Our party is in good form on the whole and in its main aspects. However, we must also see that under the new situation and in the new environment, some party organizations have become weak and lax and some party members have developed serious symptoms of bureaucratism. Some of them are even abusing their power for private gain, offering and taking bribes, and becoming corrupt and degenerate. These phenomena have tarnished the image of the party, undermined ties between the party and the masses of the people, and aroused the discontent of the masses. We must adopt a resolute attitude and forceful measures to rectify conscientiously and effectively unhealthy trends within the party and combat corruption. In this regard, we must not be soft or lenient. Only when we are always true in word and resolute in deed can we win people's confidence, strengthen ties between the party and the masses, and arouse and bring into play the enthusiasm and creativity of the masses in building socialism.

The socialist cause is the cause of the masses, a cause that works for the interests of the masses. This determines that it requires the enthusiasm and creativity of the masses of the people, and can arouse and bring into play the enthusiasm and creativity of the masses of the people. As Lenin once said: "Socialism...draws the laborers who constitute the true majority into a arena of work, an arena where they can distinguish themselves, display their skills, and demonstrate their abilities." Some people believe that it is very difficult to arouse people's enthusiasm under socialist public ownership. The truth is quite the contrary. Only socialist public ownership can resolve contradictions between socialized production and the private ownership of the means of production, contradictions that cannot be resolved under the capitalist system, thereby greatly liberating productive forces. The fact that China has established a socialist economy with the beginnings of prosperity within a short span of several decades on the basis of poverty and blankness is convincing proof. It is true that some of our large and medium state enterprises are not doing very well. However, the crux of the problem does not lie in the public ownership system itself. It has to do

with unfavorable external conditions, poor internal management and the fact that the economic system and operational mechanisms have not been properly straightened out. As long as we persist in our socialist reforms, these problems can be properly resolved.

Faced with a complicated international situation and arduous tasks at home in this new year, we must unswervingly implement the party's basic line of "one focus and two basic points," firmly rely on the masses of the people, and fully arouse and bring into play the enthusiasm and creativity of the masses of the people. Provided that we have done all this, we will definitely be able to accomplish our tasks and advance in great strides along the road of building socialism with Chinese characteristics.

Rise of Rural Clan Power Viewed 'Worrisome'

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[By staff reporter Wang Xuegang (3769 1331 0474):
"The Rise of Clan Power Is Worrisome"]

[Text] On a southbound train I ran into a retired woman cadre returning from a visit to her kin. She looked tired out, possibly from the long trip. But when the subject of extended genealogical records was brought up, her spirits returned, and she dwelled on the subject with relish, claiming that this was a meaningful undertaking and part of our national culture. She stated that the position of her clan in relation to the main lineage within the country and various branches was clearly documented and there were still branches overseas, and that there had been reforms in the revision of genealogical records: In the past, women got no mention on the records but now they are given a place.

I can hardly compliment her for her views. But, as she stated, extending genealogical records, restoring ancestral shrines, pursuing kinship marriages, and establishing clan rules and taboos have quietly returned. Feudalistic clan power is rearing its head, like silt again welling up in the water, seriously affecting the stability of rural society and obstructing the development of the rural economy.

In his field investigation in rural Guangdong and Hainan, this reporter has found that almost all villages have a few shrines or ancestral temples. A large ancestral temple occupies about 700 to 800 square meters, and a small one more than 100. Some are really luxuriously built, with rows and rows of ancestral tablets inside the hall, curling incense from burning joss sticks and abundant offerings, the temple themselves being managed and dusted by special staff. Since the beginning of reform, and with the development of rural economies, villagers' livelihood has improved; and it stands to reason that villagers should hold memorial services for their ancestors, as one ancient saying goes: "Do not forget to include me in your ancestral memorial services." However, in some places, some people are trying to strengthen a sense of kinship among the people,

especially among the younger generation, by amalgamating lineages and absorbing subclans, doing all this under the cover of ancestral worship, restoring ancestral temples and extending genealogical records, and the pretext of boosting clan cohesiveness. In this way they have created massive clan power in rural areas. In villages where grass-root party branches are weak, this power is challenging the party leadership; and there have appeared the strange phenomenon that clan power surpasses grass-root authorities and clan rules make a mockery of government law.

A peasant family already had two daughters. But for the sake of continuing the patrilineal line and preventing the descent from being cut short, the family had one more birth, having obtained permission from the clan head. Patient and repeated persuasion by village, township, and county cadres did not work. Things like this disrupt the family planning in rural areas.

A 300 mu wide area in Tuzha regulated district, Jianxin township in Suixi county has come under the control of local clan leaders, who lease the land and pay for feudal clan activities with the rent.

Under the auspices of the clan head, Quanbang village, Beitian township in Suixi county has set up a village rule whereby "the village can raise money, the amount for each family depending on its size, for medical expenses for those wounded in village clashes." Some clan leaders often invent clan activities items and charge money for them. Sometimes there are as many as 12 such items. As a result, hooligans were given a chance to stir up discord and trouble, and this in turn has increased the villagers' burdens. In the end, it is the majority who suffer the consequences.

When rural youths in Hainan Province get married, they will not go to the marriage registry to go through the legal marriage procedures; they will go to their village's ancestral temple, where they will burn joss sticks to worship their ancestors; hence, there have been some illegal marriages.

When some law-enforcement personnel visited villages for case investigations, kinsmen made secret clan pacts to harbor and provide refuge for criminals of the same clan. Worse, some even banded together to obstruct, encircle and attack, vilify or beat up law-enforcement personnel, making outlaws more arrogant and publicly trampling the law.

On the surface, clan activities appear to be a voluntary mass action. In fact, some cadres, weak in party spirit and awareness, have openly or secretly supported and participated in these activities. Some cadres "speak the clan language, conduct clan affairs, preside over clan meetings and defend clan interests," creating a very bad influence among the masses. People of the Zhou lineage in Naxiandong and Tuzha villages, Jianxin township in Suixi County went so far as to build an ancestral temple on the playground of the Xinhui Primary School in Huguang township. Streams of village pilgrims file by,

with incense curling and the constant crackle of firecrackers, disrupting the normal teaching order. Besides, what impressions will these things make on the innocent youths? It is worrisome that idiocy has invaded the school, a civilized place. What is baffling is that in the case of building an ancestral temple within the school compound, the Jianxin township government and the county state land office have recorded and stamped their approval in the opinion section on the land use application form. We cannot help asking: Where does the problem lie?

Owing to historical reasons, the concept of clan in rural areas has always enjoyed a firm foundation. Moreover, with the weakening of ideological and political work in rural areas beginning a few years ago, the concept of the clan has been infiltrating the villagers' minds; antagonism between different lineages has deepened, and the grip of the clan on the people has become stronger. In places where conflicts run deep, villagers of different lineages never liaise, though their villages are within shouting distance of each other. Villagers with different clan names do not greet each other in the streets; there are no conversations, intermarriages, or trading; they do not share the same roads or water supply. Once two brothers sold their bean sprouts at the town market of another clan. The brothers' kinsmen smashed their urns that contained the goods and threatened to expell them from the clan. No love, much less marriage, is permitted between different clans, with the result that youths have to travel outside their own clan to find a wife. Relations between villagers are tense and explosive.

The practice of the clan concept has resulted in much friction. Any dispute, regardless how petty, can never be settled once they are entangled in clan disputes and, moreover, it can easily lead to armed clashes between large clans. In May 1991, an armed clash, in which seized firearms were used, broke out between Huanglue and Wenche villages, Huanglue township in Suixi County. The cause of the incident was petty. Two men, respectively from the Wang clan in Huanglue village and the Yang clan in Wenche village, played chess and gambled, quarreled, and then scuffled. A matter strictly between the two men however was linked up with feuds between the two clans; some people instigated the masses, saying "a god will do what he can to hold on to his incense stove, men do so also to redress spite." The two clans formed their own death squads who vowed to "restore honor" to their clans. They set up roadblocks at the entrances of villages. Huanglue villagers also seized six long-range machine guns used for militia training and over 8,000 rounds of ammunition, and fired at the enemy village, killing two people, injuring 14, and causing over 1 million yuan in losses.

Comrade Wang Ye, Zhanjiang City party secretary, told this reporter: "In recent years there has been a rise in clan power and a continual escalation of clan fighting. The city saw 31 armed clan clashes from January to May 1991, involving over 9,000 people; two were killed and 270 wounded. In the rural socialist education drive, our

city has paid particular attention to solving this problem and strengthening the development of grass-roots party branches and governments so that the masses will understand the harm from clan disputes. While we are paying attention to raising the peasants' ideological awareness, we have severely punished a number of notorious elements who have organized and masterminded the armed clashes, and we have dealt with some of the clan leaders. This should have effectively curbed the spread of clan power. There was not a single armed clash in the entire city from June 1991 to the end of the year."

The rise of clan power in rural areas disrupts rural stability and economic development, and contradicts the development of spiritual civilization in rural areas. It is hoped that party committees and governments in all localities will look out for the rekindling of feudal clan power and pay substantial attention to it. If we do what the Zhanjiang City CPC Committee did—strengthen the development of the party, government, ideology, and legality—it will not be difficult to clean up the rising silt—feudal clan power.

Child Development Program Outlined

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[Outline of China's Child Development Program for the 1990's]

[Text] Beijing, 8 March (XINHUA)

I. Foreword

(1) The children of today are the masters of the 21st century. The survival, protection, and development of children is the foundation for improving the population's quality and the precondition for the future development of mankind. A world summit meeting on the issue of children in 1990 adopted the "World Declaration on the Survival, Protection, and Development of Children" and the "Action Plan for the Implementation of the World Declaration on the Survival, Protection, and Development of Children in the 1990's" (the abbreviations "Declaration" and "Action Plan" will be used below). In March 1991, Premier Li Peng signed the two documents and made solemn promises on behalf of the Chinese Government.

(2) Children's healthy growth dictates the motherland's future and destiny. To cultivate a generation of new people who have lofty ideals, moral integrity, knowledge, and a sense of discipline, the party and government have all along paid attention and attached importance to the survival, protection, and development of children; have regarded efforts to "start with the children to improve the quality of the whole nation" as the fundamental program for socialist modernization in our country; and have encouraged all of society to cultivate the civic consciousness of "loving and educating children, and setting an example and conducting practical work for children." The State Council and people's governments

in provinces, autonomous regions, and municipalities directly under the central government have successively established organs to coordinate children's work. The "Outline of the 10-Year Program for National Economic and Social Development and the Eighth Five-Year Plan"—which was adopted by the state—includes many major targets for child development; 16 province-level governments in localities have finished drafting the Eighth Five-Year Plan for child development.

(3) More than 40 years after the founding of New China, the standard of child development in our country has relatively improved, and our achievements in health care for women and children as well as child education have also attracted worldwide attention, thanks to the great importance attached by the state and the common efforts of people nationwide. Child mortality dropped from about 200 per 1,000 in 1949 to 51.05 per 1,000 in 1986 (figures cited are obtained from actual observations); the rate of occurrence of malnutrition among children below the age of five is 21 percent; the mortality rate of pregnant women decreased from 1,500 per 100,000 in 1949 to 94.7 per 100,000 in 1989; and the population's birth rate slid from 36 per 1000 in 1949 to 21.06 per 1,000 in 1990. We achieved 85 percent of our planned target for child immunization and inoculation throughout the counties in 1990, and indicators for growth and development of children such as height and weight improved markedly. The number of students studying in primary schools before 1949 was just over 20 million in the peak year, but in 1991 the number reached 122.41 million; over 76 percent of counties have universalized primary education, and a majority of cities have universalized junior secondary education. Child education progressed from having 1,300 kindergartens and 130,000 kindergarten children in 1946 to having 172,000 kindergartens and 19.72 million kindergarten children in 1990; of our population in the age bracket of 15 or above, the proportion of illiterate and semi-illiterate people to the whole population decreased from over 80 percent before 1949 to 15.88 percent.

(4) China is a developing country, and the development of its economic culture is somewhat unbalanced; areas such as education and health care for children are still a long way from the actual requirements. Health care organs at the grass-roots level are still inadequate, there are 208 counties without maternity and child care organs, and facilities and equipment used for maternity and child care are insufficient. As for basic education, many localities suffer from poor conditions for the running of schools, the quality and quantity of the teaching staff still fall short of demand, and more than 80 percent of school age children not enrolled in school are female. A great number of localities face the difficulty of insufficient funds of varying magnitude.

Based on the current situation in China's child development and on the requirements for the four modernizations, and to enable the healthy development of the body and mind of the new generation of children, the Outline For China's Child Development Program For the 1990's

was specially formulated to ensure the implementation of the "Declaration" and "Action Plan" in China.

II. Major Target of China's Child Survival, Protection, and Development Work in the 1990's

- (1) To reduce the 1990 infant mortality rate, and the death rate of children below the age of five, by one-third.
- (2) To reduce the 1990 mortality rate of pregnant women by half.
- (3) To reduce the 1990 rate of contraction of illness—as a result of moderate or severe malnutrition—by children below the age of five by half.
- (4) To have 95 percent of the population in rural areas currently suffering water shortages enjoying drinking water (with anti-fluorine treated water at the source) by the year 2000. To increase the rate of non-hazardous disposal of sewerage and garbage, as well as the rate of installing hygienic toilets, on a widespread basis.
- (5) To carry out compulsory primary education throughout the nation, and to basically carry out compulsory lower secondary education in cities, townships, and economically more developed villages. To raise the rate of three to six year olds entering kindergartens (classes) to 35 percent.
- (6) To basically eliminate illiteracy amongst the youth and people in their prime of life (15 to 40 years old) throughout the nation, and at the same time to actively carry out further education work following the elimination of illiteracy, in order to improve cultural and technical quality and to consolidate and enhance the results of the illiteracy elimination campaign.
- (7) All provinces (autonomous regions and municipalities), localities (prefectures and cities), and 90 percent of the counties should have a place for educational, cultural, technical, sports, and recreational activities in addition to the above-mentioned children schools. Parents of 90 percent of the children must be able to obtain child care and child education knowledge of varying degree.
- (8) To selectively support the development of work regarding children in minority nationality areas, border areas, and poverty stricken localities.
- (9) To drastically reduce the birth rate of disabled children, to promote the recovery and development of disabled children, and to enable more disabled children to attend school. To improve the facilities of welfare organs for children; to enhance their function in child care, child education, and treatment of disabled children; and to improve their service quality.
- (10) To perfect legislation pertaining to the protection of children's legal rights, and to strengthen the corresponding enforcement organs and contingents.

III. Strategies and Measures

(1) Population and family planning

1. Efforts will be made to continue implementing the basic national strategy of keeping the population under control and of improving demographic quality. The average natural population growth rate will be maintained at below 12.5 per thousand during the next decade.
2. Efforts will be made to extensively publicize the significance of family planning and relevant policies by popularizing knowledge about contraception among women of childbearing age, and by providing them with safe and effective contraceptives as well as guidance and service regarding birth control technology.
3. Efforts will be made to keep the rate of complications from birth control surgery at below 10 for every 10,000 operations by the year 2000.
4. Efforts will be made to extensively and actively publicize and promote prenatal checkups. By 1995, 60 percent of the counties (cities) will have prenatal checkup facilities and will receive consulting services regarding childbirth. Moreover, over 80 percent of maternity and child care centers at the provincial or autonomous regional level will receive assistance in developing a capacity for detecting congenital defects as part of the effort to half the rate of babies afflicted or disabled by congenital diseases by the year 2000.

(2) Health care and nutrition for women and children

1. In accordance with the strategic focus of improving preventive health care and public health services in the countryside, health administrative departments at all levels will appropriately readjust their internal input structure by increasing their financial input in maternity and child care, as well as preventive public health services, at a rate faster than that of the total input in public health care. Meanwhile, they will continue to implement the principle of "stressing preventive health care."
2. Pregnant women and women in labor will be assisted by trained midwives. Efforts will be made to have 95 percent of births delivered by new methods in rural areas to enable the majority of lying-in women to deliver their babies in hospitals, and to half the number of deaths from post-natal hemorrhage by the year 2000.

On-the-job training will be improved for maternity and child care professionals, rural women doctors, and midwives as a way of seeking qualitative improvement in the ranks of professionals in this field.

3. Efforts will be made to produce fortified food for pregnant women and nursing mothers, to improve nutritional guidance for pregnant and lying-in women as well as nursing mothers, and to reduce by one-third the cases of anemia resulting from iron deficiencies. The number of breast-fed babies who are four to six months old will

be increased so that 80 percent of babies in the provinces will be breast-fed by the year 2000. Regulations governing the sale of dairy product substitutes for breast milk will be enacted. Families will be encouraged to make their own baby food supplements. If possible, localities will increase the production of baby formulas, baby food supplements, different baby formulas containing essential nutrients, and meal supplements for school-age children. During the Eighth Five-Year Plan, half of the undernourished children will be given fortified food and food containing essential nutrients. Eighty percent of undernourished children will also be given the same types of food by the year 2000.

4. Eighty-five percent of children under seven years old, and pregnant and lying-in women in the provinces, will enjoy public health care by 1995. The three-tier medical and preventive health care system will be expanded and improved, with emphasis on strengthening maternity and child care at the township and village levels, and on improving public health care and anti-epidemic services. Efforts will be made to stabilize the ranks of country doctors by seeking a reasonable solution to the problem of remuneration.

5. A high rate of planned immunizations will be maintained. The rates of planned immunization—including vaccinations against the tetanus virus—and vaccinations for children in townships will total 85 percent and 90 percent respectively by 1995 and 2000. Polio and tetanus in new-born babies will be eliminated by 1995. The death and affliction rates by measles will be lowered by 95 percent and 90 percent respectively from the pre-immunization period.

6. The death rate of children five years old or under suffering from diarrhea, and the number of diarrhetic patients, will be reduced by half and 25 percent respectively by the year 2000.

7. Management based on patients' records and clinical observations will be implemented by the year 2000 in over 90 percent of the cases involving acute infections of children's respiratory tracts. In addition, the number of deaths from acute respiratory tract infections will be reduced by one-third. Efforts will also be made to basically eliminate iodine deficiencies in children and to further prevent and treat vitamin A deficiencies by the year 2000.

(3) Improving living and environmental quality, and intensifying efforts to render drinking water safe and to dispose of excreta by sanitary means

1. Over the next decade, 4,500 water works (to provide tap water to households) will be built in towns and townships nationwide so that water for drinking and other purposes in rural areas will meet hygienic standards, and water supplies will remain normal during an average drought year.

2. Publicity efforts will be intensified regarding the implementation of the "Law of the People's Republic of

China on Water Resources," the "Law of the People's Republic of China on Environmental Protection," and the "Provisional Regulations on Drinking Water for Human Consumption and Livestock in Rural Areas" of the Ministry of Water Resources. Efforts will be made to strengthen the protection of water resources and the prevention of water pollution.

3. The nationwide patriotic health movement will be continued in an in-depth manner. Active efforts will be made to render human and animal excreta harmless in the countryside. Experiences gained by demonstration zones engaged in the treatment of excreta in rural areas will be disseminated. Regulations and laws concerning the patriotic health movement and the hazards of smoking will be enacted at the earliest possible date. Moreover, living and environmental quality will be improved for people in urban and rural areas.

4. Tree-planting and afforestation activities will be continued vigorously in an effort to increase forested and green areas throughout the nation. In addition, active efforts will be made to prevent environmental pollution in order to protect the living and ecological environment.

(4) Basic education and elimination of illiteracy

1. The principle of "tailoring education to socialist modernization, productive work, and the need for training morally, intellectually, and physically developed builders and successors" will be implemented comprehensively.

2. Pre-school educational programs will be actively launched in accordance with the principle of "rallying social forces to develop various forms of pre-school education by all means." Enrollment rates at kindergartens (pre-school classes) in cities, and one-year kindergartens (pre-school classes) in the countryside, will total 70 percent and 60 percent respectively. Various forms of pre-school education will be conducted in economically backward rural areas and in mountainous and pastoral areas with scattered communities of inhabitants and inconvenient transport facilities.

3. Implementation of the "Law of the People's Republic of China on Compulsory Education" and the "Regulations on the Elimination of Illiteracy" will continue. Implementational efforts will be carried out by region and in a phased and step-by-step manner in light of our country's different local conditions. Localities which have universalized primary school education and essentially eliminated illiteracy among young people should continue to expand and improve school facilities, to improve the quality of teachers and instruction, and to actively launch continuing educational programs after the elimination of illiteracy. Conversely, localities which have not yet accomplished the above-mentioned tasks should earnestly solve problems related to primary school dropouts and relapses into illiteracy of people who have become literate. Localities which are especially

hit hard by economic woes should first universalize three and four-year primary school education.

4. To further improve the new system of "level-by-level running of schools, level-by-level administration of schools"; to establish the effective mechanism of primarily relying on government fund allocations and fully mobilizing all of society to participate in the running of schools to further ease the tension of insufficient funds.

5. To give priority to pedagogical education, to actively enhance teacher-training work, and to speed the formation of a contingent of qualified teachers in sufficient number. By the year 2000, the majority of primary school teachers should have better political quality and possess the required qualifications as stipulated by the state. Various formats should be employed to train nursery school teachers in order to upgrade the quality of teaching. Illiteracy elimination work must also make efforts to form a contingent of full-time and part-time teachers to meet corresponding needs.

6. To strengthen the construction of school buildings and teaching facilities, and to gradually meet standardization requirements in the running of schools. Localities which have basically solved the problems of insufficient school buildings and have eliminated hazardous buildings must pay attention to appropriately carry out complimentary construction of the school buildings and to acquire necessary teaching aids, reference materials, and recreation and sports equipment. Localities with insufficient school buildings must continue to solve the problem of "one have not and two have's" (that is, no school has a hazardous building, every class has a classroom, every pupil has a desk and a chair).

7. In the next decade, since our task of extending compulsory primary education and eliminating illiteracy will be primarily concentrated on economically underdeveloped areas and minority nationality areas, the acute problem is to solve the difficulties for girls to attend school. Special measures must be taken to expand or additionally construct full-scale primary schools or teaching posts in those vast provinces where settlements are widely scattered and transportation links are inconvenient; full-board primary schools and minority primary schools should be established in localities with such needs. We must pay attention to the training of minority nationality woman teachers; the system of scholarship awards for girls is to be established in poverty stricken areas to facilitate work to enroll girls; and efforts should be made to continue doing a good job in conducting classes for girls.

(5) Community and family security.

1. To develop community education; to establish an education system which incorporates school (child care center) education, social education and family education; and to create a social and family environment which are conducive to the healthy and harmonized development of the children's body and mind.

2. To promote the research, production, and sales of children's food, toys, daily necessities; and the creation, production, and dissemination of children movies, television programs, and reading materials through emphasis in relevant policy.

3. To enhance the construction of places for children's extracurricular educational, technical, cultural, sports, and recreational activities. We may adopt the method of utilizing government investment and raising funds through various means to improve, increase, and expand facilities for child activities. We must also continuously upgrade management standards, teaching staff quality, and social efficiency. Town planning work must also take complimentary construction of child activities centers and facilities into consideration.

4. We should take local situations into consideration, adopt diversified methods, and go through multiple channels to extensively and thoroughly publicize and spread basic knowledge about prenatal, postnatal, and parental care in families. Community-based programs providing courses for newly married couples; pregnant women; and parents of babies, small children, primary and middle school children should be conducted in cities to provide parents with rather comprehensive knowledge about and methods for educating children of different ages and at various stages at home. Correct methods for pre-school and general education should be promoted through the combined use of radio and television programs about parenthood; schools for parents in counties, townships, and villages; counseling centers for home education; and counselors.

A nationwide campaign to publicize home education and provide relevant consultations and services should be launched with the help of various mass media and other well-received methods. All levels of key personnel should be trained to promote home education.

5. Teacher training colleges should gradually set up home education courses on a trial basis; relevant academic institutions and bodies should study home education theories to provide theoretical support for efforts to improve family and social environments where children grow up.

6. Women play a key role in the development and well-being of children. We must further improve the status of women so that they will have an equal opportunity to receive education, training, and extensive social service, as well as the chance to seek suitable employment and play an active role in social development. We should attach special importance to the training of rural women in order to give them an opportunity to master useful production technology to increase their family income. Meanwhile, we should also extensively launch propaganda work and conduct education to increase consciousness about personnel hygiene among the vast number of women, specially those in rural areas, and enhance their ability to carry out such practice.

(6) Protect children exposed to harsh conditions

1. We should encourage the establishment and improvement of social compensation systems for childbearing. If possible, rural areas should promote special old-age insurance programs for single-child parents or parents who have only daughters, and gradually eliminate discrepancies brought by differences in sexes in such areas as childbearing, education, and employment.

2. We should intensify efforts to provide early diagnosis, nursing care, recuperation help, and education to disabled children. We should develop four or five bases in the country to train personnel to help disabled children recover, and should build childcare centers for disabled children and language training centers for deaf children in communities. We should also employ methods such as building special education schools and setting up special education classes or programs to enable disabled children attend normal classes in ordinary schools so that the majority of disabled school-age children can receive compulsory education.

Our society should also cultivate fine ethics and practice to understand, respect, show care about, and help disabled people, and should continue to encourage "red-scarf activities [activities carried out by young pioneers] to help disabled people."

3. Special attention should be given to protect and educate children from families whose parents are divorced or separated, and help parents from single-parent families create good home environments for their children. Suitable arrangements should be made to care for the well-being of and educate street urchins. We should focus on supporting children's welfare units in various provinces, help welfare centers acquire facilities for recuperation and medical treatment, and rebuild all dilapidated buildings. All children in areas hit by serious natural disasters should also be given help.

4. Special support should be extended to help children survive, get protection, and develop in areas with undeveloped economies. We should continue to implement the "Hope Project" and help children from families with financial difficulties attend schools.

(7) The protection of children's rights and interests

1. We should earnestly carry out "the Convention on Children's Rights" which was ratified by the National People's Congress Standing Committee.

2. We should earnestly carry out "The PRC Law on the Protection of Minors."

3. Detailed rules and regulations on the implementation of "The PRC Law on the Protection of Minors" in localities should be drafted by all provinces, autonomous regions, and municipalities directly under the central government before 1995.

4. We should formulate and improve special laws and statutes to protect children's rights and interests, such as

laws on prenatal health care and home education, regulations on the management of children's health, and PRC rules on sales of breast milk substitutes.

(8) Prenatal, postnatal, and parental care

1. Promotional efforts regarding prenatal, postnatal, and parental care will be continued in all sectors of society. Scientific knowledge about the "three forms of care" will be publicized and popularized vigorously in order to improve children's programs.

2. Pilot projects on the "three forms of care" will be conducted in localities with the right conditions. Experiences gained from such projects will be summed up constantly and promoted gradually.

3. Scientific research on prenatal, postnatal, and parental care will be carried out actively. Funds for conducting scientific research into the "three forms of care" and awards for relevant major research findings will be instituted.

IV. Leadership and Supervision

(1) Efforts to ensure the survival, protection, and development of children form important aspects of our country's 10-Year Program and Eighth Five-Year Plan for National Economic and Social Development. The successful completion of relevant tasks constitutes the important duty of governments at all levels. Organs in charge of women's and children's programs under the State Council will coordinate with other departments in leading, organizing, and supervising efforts to implement the outline of this program nationwide. They will also raise funds for such implementational efforts.

(2) Efforts to implement the outline of this program have a wide-ranging social impact and require the participation of all segments of society. Relevant departments under the State Council as well as pertinent sectors of society should formulate specific implementation plans in accordance with the requirements of the outline and the scope of their own functions.

(3) Child development programs should be based on national conditions, planned according to different localities, and guided according to specific conditions. In accordance with the principles spelled out in the outline of this program and the actual situation in various localities, all provincial, autonomous regional, and municipal people's governments should improve or formulate their child development programs and incorporate such programs into overall economic and social development plans.

(4) Governments at all levels should include child development programs in their agenda, institute objective-based responsibility management systems in this regard, develop annual plans, and sum up experiences every year.

(5) Money should be raised through all channels to secure the necessary financial support. Besides securing

the requisite input from the state and governments at all levels, it is necessary to encourage society to sponsor programs aimed at promoting the development of children and to secure international assistance and cooperation.

(6) While continuing to rely on public health care programs, education, state statistical means, and legal methods, it is necessary to institute mechanisms for overseeing efforts to ensure the survival, protection, and development of children. Collection, processing, feedback, and exchanges of information will be intensified

according to objectives outlined in this program. Moreover, a system of regular inspections and deliberations will be established.

(7) Various relevant academic institutions will systematically conduct basic and applied research into child development and will vigorously promote appropriate technology in this respect.

(8) Efforts will be made to keep expanding international exchanges and cooperation in child development, to play an active role in global and regional exchanges and research programs, and to increase contact and cooperation with relevant international organizations and various countries in launching child development programs.

NORTH REGION**Nie Bichun Visits Policemen of People's Court**

*SK2102095392 Tianjin People's Radio in Mandarin
1000 GMT 19 Feb 92*

[Text] This morning, Nie Bichu, deputy secretary of the municipal party committee and municipal mayor; and Lu Xuezheng, member of the Standing Committee of the municipal party committee and secretary of the municipal Political Science and Law Committee, went to the municipal Higher People's Court to cordially visit the broad masses of cadres and policemen, and held talks with court leaders on how to make court work further serve economic construction.

Responsible persons of the municipal Higher People's Court and the municipal Intermediate People's Court, and some grass-roots courts, and outstanding judges attended the forum.

Wang Yongchen, president of the municipal Higher People's Court, first introduced the court work situation. He said: Last year, courts at all levels across the municipality comprehensively carried out judicial work in line with the central task of economic construction and completed 37,722 criminal, economic, and civil cases through the first trial or the second trial, up 5.12 percent over the previous year.

Nie Bichu fully affirmed the achievements made by the courts at all levels throughout the municipality, and expressed hope that the people's courts would resolutely and comprehensively implement the party's basic line, persist in strictly enforcing the law, further display the functional role of judicial organs, and make greater contributions to safeguarding social stability and promoting economic development.

Executive Yuan Report on '28 Feb Incident'

*OW0203134792 Taipei CHUNG-YANG JIH-PAO
in Chinese
24 Feb 92 p 3*

["Excerpts" of an investigative report on the "28 February Incident" issued by the Executive Yuan on 22 February; first four paragraphs are editor's note]

[Text] Editor's note: On 22 February, an ad hoc group of the Executive Yuan published an investigative report on the entire incident that took place on 28 February 1947.

The two-volume report is about 400,000 characters long and is divided into the following parts: Foreword; Chapter One: Background to the Incident; Chapter Two: Breakout of the Incident and Escalation of Conflicts; Chapter Three: Reckless Countermeasures by the Government to Quell the Incident; Chapter Four: Casualties and Victims; Chapter Five: Compensation Made at That Time; and Conclusion.

In addition to the investigative report, the ad hoc group also published five appendices in 10 volumes containing a total of more than 1 million characters.

In order to help readers understand the background of the incident, as well as the merits and demerits of Ch'en I and other administrators in Taiwan at that time, this newspaper presents a special publication of the following excerpts of Chapter One and the text of the conclusion.

Chapter One: Background to the Incident

Less than three months after Taiwan's regression, Ch'en I's malpractices were already resented by many people in Taiwan. In the beginning of 1946, the situation in Taiwan became rather critical, arousing deep concern among people at home and abroad.

In view of the many problems arising in less than 18 months after Ch'en I took charge of the government in Taiwan, quite a few people's organizations petitioned the government, the Kuomintang, and the Control Yuan, demanding reform of government deficiencies in Taiwan. However, because Ch'en I disliked popular interference with the government in Taiwan or measures from the mainland, he naturally did not accept others' advice.

Toward the end of 1946, the people began to call Ch'en I and some inept officials "pig officials," "pig brands," and other derogatory names. It can be said that "animosity between the people and the government in Taiwan Province had reached a point where an outbreak of an incident was imminent." Regrettably, both the central government and Ch'en I did not pay much attention to the situation, thus leading to the subsequent disastrous incident on 28 February 1947.

This unfortunate incident in the history of Taiwan was caused, in addition to "reasons already rooted in ordinary times" and inadequate human efforts, by the following political, cultural, emotional, and social factors:

Provincial Government Authorities Ignore Trend of Popular Feeling in Taiwan

According to Chinese and foreign documents at the time, in the early days of the regression, feelings among the people of Taiwan leaned toward the government. Regrettably, Ch'en I and his subordinates failed to make good use of such feelings to perpetuate popular support for the government. For this reason, during his administration of Taiwan, Ch'en I was criticized for "failing to make a proper response to the compatriots' valuable sentiments for the motherland; this blunder became the main cause for the subsequent mishandling of the '28 February Incident.'" Moreover, Ch'en I's excessive trust in and connivance with his subordinates led to his isolation by inept underlings.

A defective system in the early days after Taiwan's regression was a major reason for popular discontent in Taiwan. Ch'en I insisted that the high commissioner system continue. When the people showed antipathy toward this system, he did not promptly report these feelings to the central authorities for remediation. This indicates Ch'en I's stubborn bias: he would not consider abolishing whatever he believed was helpful to him as high commissioner. Ch'en I believed himself well-versed in the affairs of Taiwan. As a matter of fact, this is untrue. After the regression, the people of Taiwan, who are under the jurisdiction and sovereignty of the Chinese Government, should enjoy the same rights and duties as people in other provinces. However, the central government and the Top Administrator's Office contradicted their words and deeds by treating Taiwan compatriots and handling their property differently, thus undermining the Taiwan compatriots' unity with the motherland.

Obstructing Taiwanese on the Mainland From Coming Home

Ch'en I could be excused for employing Japanese technicians for the purpose of continuing the development of Taiwan's industry. However, in addition to continuing to employ and giving preferential treatment to the Japanese, he also put some Japanese imperial gentry in important positions, while releasing but refusing to appoint nationalists who had resisted Japanese rule.

Ch'en I was not hostile to the Japanese residents of Taiwan. On the contrary, he employed and even protected them. However, he did not help the Taiwanese on the mainland who wanted to come home.

The Office of the High Commissioner did not care for or assist Taiwanese in coming home but employed various strategies to obstruct their return. Furthermore, Ch'en I also attacked Taiwanese capitalists with all means at his disposal; Chen Hsin was a notable case in point.

Mishandling Japanese and Taiwanese Property

On 14 January 1946 the government published in all Peip'ing [Beijing] newspapers the "Measures for Disposing of Estates of Koreans and Taiwanese," and instructed all provincial and city party and government organizations to implement these measures. According to these measures, the government would confiscate all property of a Taiwanese regardless of whether he was a suspected criminal. It was only after he was proven not guilty that the government would approve the return of confiscated property. The measures, which incurred the wrath of Taiwanese on the mainland at the time, were subsequently rectified by the government. Nevertheless, the damage had already been done to the Taiwanese both on the mainland and Taiwan. Discontent with the government among many people in Taiwan caused by the measures for disposing of enemy property, plus seizure in disguised forms and corruption in the disposal of Japanese property in Taiwan, gradually helped form an anti-government force.

Political Discrimination Against the Taiwanese

Under the Japanese occupation, the people of Taiwan were not treated equitably in government administration, in their professions, and in the technicalities of political life. After the regression, many Taiwanese entertained hopes that they would be awarded self-rule. At that time, some intellectuals believed that Taiwan would be ruled by Taiwanese following the regression. This did not happen. Of the 18 directors and deputy directors of nine major departments and commissions under the Office of the High Commissioner, only one was held by a Taiwanese. Of the 17 county magistrates and city mayors, only T'aipei Mayor Yu Mi-chien, Hsinchu County Magistrate Liu Chih-kuang, Kaohsiung Mayor Huang Chung-tu, and Kaohsiung County Magistrate Hsieh Tung-min were Taiwanese. All had returned from Ch'ung-ch'ing [Chongqing] and were not popular among the Taiwanese. This monopoly of the higher political echelons by people from other provinces could hardly appease the Taiwanese. What made them even more disgruntled was the difficulty in finding government jobs and "different pay for the same job."

In addition to having leading political posts occupied by people from other provinces, the Taiwanese had to deal with administrators who often dismissed personnel at will. When Ch'en I first arrived in Taiwan, he flaunted the banners of "building a model Taiwan" and "practicing the Three Principles of the People." People in Taiwan altered these banners to "building a renegade Taiwan" and practicing the "Three Principles for Extorting Profit From the People" and "Principles for Savaging the People."

Bureaucracy and Corruption of Some Officials

Political inefficiency and pervasive bureaucracy were never experienced by the Taiwanese under the Japanese occupation. The performance of the Office of the High Commissioner within a short period of 18 months was

far inferior to that of the Japanese. Newspapers carried endless reports on cases of visiting cabarets, and corruption by public servants, in violation of discipline. Not only ordinary public servants but also prosecutors, court presidents, and even teachers were involved in embezzlement. Soldiers breaking laws, getting away with free rides and purchases, or even committing open robberies were common sights.

In the face of rampant corruption in Taiwan, Ch'en I told public servants that they "must not set up businesses and must take good care of both public and private property" and that "embezzlers will be punished severely regardless of their position." However, his instructions were not strictly enforced, a situation that led to an unending stream of corruption cases. Generalizing the whole situation from a local angle, many residents of Taiwan consequently regarded public servants from the mainland as money-grubbing and the government as corrupt and incompetent.

The Common Practices of Government Functionaries and Military Discipline Were Very Bad

Some government functionaries who were assigned to work in Taiwan, although they were not in high-level positions and were not vested with influential powers, frequently demonstrated an "sense of superiority" and gave themselves an air of "victor" and "ruler." They looked upon the people of Taiwan as the ruled; they thought they were sent to occupy and rule Taiwan in order to teach these people, "who were like barbarians living outside the boundary of the reign of a Chinese emperor without the benefit of cultural influence from Mainland China." This erroneous thinking deeply hurt the self-respect of the people of Taiwan. They had resented discrimination by the Japanese during the occupation; since those who came to Taiwan from Mainland China at that time thought they were also superior to the Taiwanese in every way, the Taiwanese looked upon those from Mainland China as "new rulers." Furthermore, because they had been separated from each other for a long time, did not speak a common language, and had different educational backgrounds and different lifestyles, was difficult for them to communicate with each other and get along harmoniously.

In addition, public law and order deteriorated daily. There were very few criminal cases that the police could crack. Oppression, outrage, and violence on the part of taxation personnel—who had the most opportunity to be in touch with the people—were frequent occurrences. What made things worse was that the troops stationed in Taiwan were not well disciplined. Soldiers frequently "bought and borrowed from the people by force, raped women, and opened fire or injured the people with their guns at the slightest provocation." As for robberies and thefts committed by soldiers, they were frequently reported. In short, as a result of an improper sense of superiority on the part of the personnel sent to take over Taiwan from Japan, because of the corruption and inefficiency prevailing among officials, and because of

the violation of the laws and discipline by soldiers, the government lost popular support.

Inflation Was Very Serious

After World War II, inflation ran rampant throughout the world as every country was undergoing reconstruction from a world reduced to rubble by the war. China was no exception. One more cause that added to the inflation was the escalation of the war to suppress the Communist rebellion on the mainland. It had an impact on Taiwan's economy, worsening it day by day. Taiwan's economic crisis was caused mainly by inflation and soaring commodity prices, in particular, grain prices which persistently remained high. Originally Taiwan was world famous for its rice production. During the Japanese occupation, in addition to providing rice for the island's consumption, Taiwan exported 5 million Japanese dan [a unit of dry measure for grain] to Japan every year. However, Taiwan faced a serious shortage of grain in early 1946. Although the government dispatched "persuading teams for the requisition of grain," implemented a system of grain requisition and rationing, imported wheat flour, and exchanged Taiwan's coal for Fujian's rice and grain, they were slow to produce the desired results, and could not then meet the urgent needs. The price of rice kept soaring, and as a result, Taiwan's commodity prices were the highest in China. Famine was reported in several localities. Riots broke out even in the rice-producing areas of T'ainan and T'ainan. The number of unemployed persons rose daily. Robberies were committed in broad daylight, and thefts were common occurrences everywhere.

On the other hand, sugar prices dropped by a large margin. The seriousness of the grain shortage in Taiwan was aggravated by the failure of the system that placed the economy under government control. Ch'en I had to promulgate the "Taiwan Provincial Rewards and Penalties Measures for Requisition and Purchase of the Second Crop of Rice in 1945" in an attempt to solve the grain problem, but it produced few results. The price of rice persistently remained high.

As Taiwan's administration was put under a very special case, the High Commissioner's Office excluded outsiders to a considerable extent. It refused to let the 2d Bureau of the 4th Bank—or any other private bank—establish branches for business operations in Taiwan. As a result, "all civilian trading enterprises, except the trading enterprises run by officials and the police, came to a standstill." Taiwan's commodity prices soared 100 times from the end of October 1945 to December 1946. The grain problem was particularly serious.

Though the Taiwan people were greatly disappointed with government and political affairs as well as the economic situation under Ch'en I's administration, he still authorized transfer of government troops stationed in Taiwan to the mainland for suppression of the Communist rebellion, presenting a false picture of peace and prosperity. Suddenly Taiwan appeared defended by

insufficient military forces. This led radicals to believe they would be able to overthrow Ch'en I and boldly arouse the masses to oppose the government. Viewed from this perspective, temporary weakening of the military forces stationed in Taiwan was undoubtedly also one of the factors that encouraged the anti-government forces to expand.

The Command Economy and the Government Monopoly on Business

When Ch'en I was appointed high commissioner of Taiwan, Taiwanese and Fuchienese organizations in Ch'ung-ch'ing, K'unming, and Kuilin appealed to Chairman Chiang to revoke the appointment. They maintained that the "performance" of Ch'en I—who was put in charge of Fuchien Province during the War of Resistance Against the Japanese Aggressors—had incurred endless complaints from the population. For example, Fuchinese complained that the fundamental doctrine of his personnel policy was appointing non-Fuchinese. He did not change this policy in Taiwan; most of the county magistrates and mayors appointed by him were non-Taiwanese; very few Taiwanese were ever appointed as county magistrates or city mayors. In spite of severe criticisms against him, he stubbornly refused to change.

Ch'en I's policy eventually failed in Fuchien. After assuming office in Taiwan as its high commissioner, he was impressed by the success of the monopoly system instituted by the Japanese in Taiwan and he became even more convinced of the need for government control. Therefore, in addition to setting up a monopoly bureau to carry on the monopoly system introduced in Taiwan by the Japanese, he founded a trade bureau that controlled all internal and external transport of goods, thereby imposing a sweeping monopoly on all aspects of trade and industry. The monopoly consequently impeded the development of private enterprise and caused even more complaints and discontent. For this reason, when the "28 February Incident" erupted, the two bureaus became of the focus of reform advocates who demanded their abolishment.

Estrangement Between Taiwanese Compatriots and the Motherland

True, the government's poor understanding of the situation in Taiwan was one of the causes that led to the "28 February" storm. In all fairness, it should be noted that there are other causes, such as the estrangement between Taiwanese compatriots and the motherland and their ignorance of the political situation and their unrealistic expectations. At that time, the war between the Kuomintang and the Communists on the mainland was escalating, the nation was being swept by an economic crisis, prices were skyrocketing, society was in an upheaval, and the public was jittery. As a result, the Central Government was unable to pay much attention to Taiwan. The Taiwanese, who had long lived under a news blackout imposed by Japan, knew very little of the motherland.

Therefore, they frequently compared the military, political, economic, and social aspects of the post-war Chinese Government with those during the period of occupation. The sharp contrast left them with the impression that the motherland was not the equal of Japan; they began to despise the mainlanders. Moreover, deceptions involving marriages between mainland males and Taiwanese women, differences in the daily habits due to some mainlanders' ignorance of modern developments, and the language barrier all contributed to widening the inter-provincial gaps. Unrealistic expectations from the motherland turned into disappointment and contempt. Under these circumstances, there were incidents such as an anti-smuggling inspector beating a woman, and in no time an anti-government force whose goals were to improve the situation came into being. The monopoly bureaus, which were at the center of the whirlwind, maintained that the incident was purely "a conspiracy of remnant Japanese influence and traitors to seize political power. The people, out of ignorance, blindly followed them. This had nothing to do with the anti-smuggling inspection incident in the first place, much less the merits and demerits of the monopoly system itself." This conclusion does not tally with the facts. In substance, the unfortunate incident was the result of people who vented long-suppressed frustrations with the current situation and their discontents. Their discontent and demand for reform were legitimate, but their rhetoric and actions, which went beyond the limits allowed by law, were not entirely irreproachable.

Conclusion

The "28 February Incident" happened less than one and a half years after Taiwan was recovered. The background for the incident was complex; it cannot be explained by any single factor. First, after 50 years of Japanese colonial rule, Taiwan compatriots lacked an understanding of their motherland's political system and social conditions; they were even quite different from their compatriots on the mainland in terms of values. So shortly after Taiwan was recovered, Taiwan compatriots became disappointed because they had placed too high hopes on the recovery. Second, the high commissioner system had many political defects. The tenets for government officials and for military discipline were not very good. Political participation and treatment were not quite fair either. Economically, because of inappropriate control policies, all businesses languished, prices soared, unemployment was serious, and it was hard to make a living. Socially, Taiwanese who were returning as former Japanese soldiers were penniless and had no way of finding a job, thus forming an undercurrent of discontent with the government. In addition, High Commissioner Ch'en I was headstrong. As a result, the situation at the lower levels could not be made known to the higher authorities, and relations between government officials and the ordinary people were very bad. In view of the above factors, insightful people already had had a premonition that a crisis might be approaching. But the Office of the High Commissioner had yet to feel anything.

The "28 February Incident" happened because of a minor matter of checking on smuggled cigarettes. Because anti-contraband personnel and military and civilian police units failed to handle this matter properly, some residents in T'aipei City demonstrated, presented a petition, and went on strike by closing their stores on 28 February. On that day, military guards at the Office of the High Commissioner fired at demonstrators who were trying to present a petition. The chaos thus increasingly got out of hand. Then, a case of petitioning the high commissioner to punish those responsible turned into a confrontation with his office, which even intensified into a conflict between the people of Taiwan and those from the mainland. Some local people who were stirred up indiscriminately beat up people from the mainland and smashed government offices and stores. The lives and property of people from the mainland were thus seriously threatened. Such confrontations and conflicts rapidly spread throughout the island. Thus, a simple matter of public order deteriorated into a political movement; local leaders seized this opportunity to demand an all-round reform of the Taiwan government, and armed clashes took place because people in some areas attempted to seize arms from military and civilian police units. T'aipei was the center of this political storm, but all other parts of the province were soon engulfed in it. The T'aipei "28 February Incident Handling Committee" and its branches in various localities played the main role in this political dispute. During the chaotic period, local officials who were unpopular among the people left their positions one after another; even those officials who wanted to maintain public order and were willing to cooperate with the handling committee could not but hide themselves for the time being for their own safety. The T'aipei handling committee and its various branches assumed heavy responsibilities for soliciting public opinions and carrying out political reform; for a time, they nearly replaced the Office of the High Commissioner and various local governments and became virtual administrative units. With their opinions widely divided, they issued their own orders; they had no unified administrative program to follow. As a result, they failed to play their role in stabilizing the political situation.

Following the incident, as clashes continued to expand in various localities, communist elements in some areas seized the opportunity to get involved, such as the "2 March Incident" led by Hsieh Hsueh-hung and Yang Ke-huang in T'aichung. Hsieh called "residents' meetings" and used demonstrators to take over all government organizations in T'aichung; moreover, she used young students and organized them into "Unit 27" in an attempt to attain her objective of reforming the Taiwan government by following a line of armed struggle, instead of a parliamentary line advocated by the handling committee. After the incident took place on 2 March, the Chia-i area witnessed the emergence of some characteristics different from those of other areas. First, people from various areas were organized into armed contingents which participated in military attacks

against the Hungmaopei Ordnance Depot and the Shuishang Airfield, although the majority of these participants were a disorderly band. Second, a large number of prominent figures in society supported these military actions. This led then Mayor Sun Chih-chun to maintain that "the military actions raging here may be said to be the fiercest, and the losses sustained by government functionaries and teachers in this area the heaviest in the whole province."

In the Kaohsiung area, Fort Commander Peng Meng-chi took prompt and tough action. He sent troops to suppress the ongoing events. Though the move effectively put an end to unrest, Mr. Peng's decision to take the drastic measure of launching attacks on the Kaohsiung City Government Building, the Kaohsiung Railway Station, and the Kaohsiung First Middle School, where mass rallies were being held, and strafing all the people with no exceptions—in spite of the order given by Garrison Commander Ch'en I to seek a peaceful settlement—caused the deaths and injuries of a large number of innocent people and inflicted a trauma that could not be healed for a protracted period of time to come.

After outbreak of the incident, Ch'en I originally intended to play down its seriousness and tried to settle it through political means because, firstly, there were insufficient military forces at his disposal at that time and, secondly, he wanted to maintain his position and power. During the initial phase of the incident, prominent figures in society who participated in the "Committee for Handling the February 28 Incident" were intent only on settling the murder case precipitated by the seizure of smuggled cigarettes. However, due to incompetence on the part of the High Commissioner's Office in handling the situation, the originally simple incident of petition for the punishment of the murderers turned into a movement for political reform which, fueled by the people's morale running at an unprecedented height, gradually raised the level of the petition and the demands. As the committees for handling the incident in all areas were not well organized, personnel working for various factions and the intelligence and public security units took advantage of this weak point to succeed in penetrating these committees and manipulating them. As a result, they were reduced to a political battlefield of various factions' intrigues against each other. Under manipulation by those people with ulterior motives, the Committee for Handling the February 28 Incident finally adopted a 42-article demand, which was determined by the authorities to be act of "rebellion," and was used as an excuse for requesting troops to suppress the events.

Why did the government want to send troops to suppress the events? Judging from the existing archives, various documents, and materials gathered from oral accounts, one can see that obviously the Central Government was deeply under the sway of the opinions of those who were at the helm of Taiwan's government in the way it handled the situation. In the early phases of the incident, people like Ch'en I and Ke Yuen-fen, who were at the

helm of the government and the military in Taiwan, did not understand Taiwan's actual social conditions and the people's ardent expectations of the government to carry out political and economic reforms; they failed to adopt a policy favoring reform in good time. Instead, they believed the incident was purely a riot stirred up by traitors and rebels on the pretext of demanding the punishment of murderers involved in the cigarette smuggling case. Therefore, they treated all the demands raised by the people or by the Committee for Handling the February 28 Incident as willfully making trouble or having ulterior motives. Therefore, at the beginning of the incident, they adopted the tactic of penetrating the organizations and sowing dissension in them; the tactics were followed by an exaggeration of the seriousness of the incident and requests to the central authorities for the dispatch of troops for suppression.

If we study the government documents, we will find that, at first, Chairman Chiang did not favor suppression. He only agreed to send a reinforcing regiment to Taiwan for the main purpose of preventing any unexpected turn of events. The dispatch of such a reinforcement regiment to Taiwan was a "return to the original organizational system of the army" (meaning a transfer of troops to the location or unit where they were originally stationed). Later on, Chairman Chiang changed his views, treated the incident as a rebellion by "reactionary rebels," ignored petitions submitted by the Taiwanese people's groups, accepted the requests from Ch'en I and various intelligence and public security units, and decided to send troops to bring order to Taiwan. Pacification work consisted roughly of two major parts—armed mopping-up operations and combing the countryside. The mopping-up operations proceeded far more smoothly and rapidly than expected, because the operational plan and troop dispositions were well-conceived and the disorder in various localities was not as serious as the High Commissioner's Office had publicized. Overall, there was hardly any fighting, except in the central region where the remnants of "Unit 27" offered some resistance. However, in the course of performing their tasks, the troops of the pacification sub-districts did make reprisals and violate the law, and caused injuries and deaths among innocent people. Suspects were executed on the spot without trial.

The military suppression was followed by the work of combing the countryside. The main goal of this was to arrest suspects, confiscate weapons and military equipment, conduct household inspections, encourage voluntary surrenderers, and make people vouch for each other not to oppose the government. All the tasks were completed on schedule. However, facts show that many suspects were framed or were targets of reprisal. Many of them suffered injustices because they were arrested, interrogated and punished by the troops and the police hastily without a careful investigation. There were also some people who had already been convicted, but were later set free after paying bribes or with the help of influential persons. Some lawless servicemen and

policemen even took the opportunity to blackmail people and plunder private property. So, there were a great deal of complaints among the people. There is no denying that the complaints were caused by the authorities' failure to do their duty, and by poor administrative and army discipline.

In the "28 February Incident," there were many victims, including both public leaders and ordinary people. They roughly fell into three categories: The first category consisted of those who were condemned by the government. Since the government regarded the "28 February Incident" as a rebellion, it inevitably included both the organizers and the rioters on the so-called "blacklist" and arrested and sentenced them. Most of the members of the handling committee and most of the dissidents in various localities were arrested and executed. However, our investigations and research show that there were indeed many unjustified arrests and executions. Most members of the handling committee said that they only wanted political reform in Taiwan and had no intention of revolting against the government. They were of course dissatisfied with the charge of "intention to subvert the government." Moreover, some victims were arrested secretly and died of undisclosed causes. Were they executed after being sentenced to death in trials, or murdered by their enemies? This is a question to which relatives are anxious to find the answers. Nevertheless, available government files still cannot answer these questions.

The second category consisted of those who violated martial law. It is understandable that the authorities would declare martial law because of rioting. However, it was inappropriate to enforce martial law in Taiwan. Taiwanese compatriots had no experience with martial law and did not know what it was. So, many of them were killed because they unwittingly violated martial law. For instance, many people were walking in the street or going to school or work during the pacification period, and were shot and killed by soldiers because they did not know the password or did not understand the soldiers' language.

The third category consisted of those who were victims of poor administrative and military discipline. After the founding of the Republic of China, wars and disturbances seldom ceased; the troops' education was especially affected during the eight-year war of resistance against Japan. As a result, neither the military system nor the political system was ever adequate, and neither the army or government personnel were well-disciplined. So, irregularities emerged in an endless stream during the period of suppression and pacification. The most common ones were abusing public power to retaliate on personal enemies. Many public leaders were killed in this way, and some of them were killed because of minor disputes. In addition, some of the dead were victims of blackmail or forcible property seizures. The High Commissioner repeatedly banned those acts in an attempt to correct them, but he failed to stop all those unlawful acts. Moreover, many people were framed under the policy of

encouraging informers and using hooligans. Some people were even killed in a setup, such as the Yuan-shan incident. After the turmoil was suppressed and order was restored, the High Commissioner's Office began a campaign of consolation and compensation at the end of March, awarding relief money to government functionaries and public school workers who suffered losses of life and property, as well as to their family members and servants to help them weather hardships. The campaign, however, was not successful for the following reasons: 1. Compensation was made only to government functionaries and public school workers and their family members and servants; it was not offered to victims in general. 2. The relief procedures were quite unreasonable. People who suffered stupendous losses could draw only small sums of compensation because of restrictions imposed by relevant provisions, while those who incurred modest losses were compensated excessively because of exaggerated reports on losses. 3. Capitalizing on the inadequacy of relief funds, some unscrupulous government functionaries and public school workers extorted people (particularly wealthy people) in an effort to feather their own nests, thereby leaving a very bad impression on the public. Very few government functionaries and public school workers obtained compensation, leading the victims and the general public to believe that the government never offered compensation to natives and people of mainland origin alike. Hence, they urged the government to promptly formulate compensation procedures.

This report is not intended to fix blame but to reveal the truth of the incident. Nevertheless, a review is order regarding the actions of several people who played a crucial role in the incident.

Shortly after his arrival in Taiwan, Ch'en I showed a desire to run the island well. However, his substantially flawed policies and ways of implementation sowed the seeds of the incident. As Taiwan's High Commissioner, he was not free of political responsibility for the incident. Shortly after the outbreak of the incident, he hoped to defuse the crisis by political means, abstaining from readily taking suppressive measures. Though his efforts failed to produce the intended result, he at least managed to bring members of the handling committees to the negotiating table. Hence, his efforts were not entirely unsuccessful. Unfortunately, he asked the central government to send in additional forces to suppress the disturbances on 5 March when order was being gradually restored in Taipei and a peaceful settlement was within reach. After the troops arrived in Taiwan, he failed to restrain military and police officers in their performance of pacification duties, in accordance with the law. Consequently, "police officers and troops of the garrison general headquarters took retaliatory actions to attack and arrest hooligans." He even ordered the "high-level secret service of military police in Taiwan to make secret arrests of National Assembly deputies," thereby expanding the wave of attacks and causing panic and resentment among the people of Taiwan. Afterward, he

refused to review his action, simply "acknowledging that it was a failure of his, and denying that his policy was erroneous." The people of Taiwan naturally could not forgive this attitude.

At the outset of the incident, Ko Yuen-fen, then chief of staff of the Taiwan Provincial Garrison General Headquarters, had portrayed the activities of the "28 February Incident Handling Committee" as "conspiracies." As part of his policy to divide the committee, he sent people to infiltrate it and took stern punitive measures after the incident escalated. His intentions were very inappropriate. Pai Chung-hsi, then minister of national defense sent by the government to Taiwan on an appeasement mission, bluntly noted that Mr. Ko had handled the matter with the mentality of "wrongfully killing 99 people in order to kill one real culprit." Consequently, many people were killed or injured by reprisal attacks, leading to widespread anxiety. Mr. Pai held that Mr. Ko "handled the matter impetuously, abused his power, took substantially inappropriate measures, and stubbornly refused to mend his ways." He suggested that Mr. Ko be dismissed as a way of "sending a warning and appeasing the people." When the incident took place, the commander of Kaohsiung Fort, Peng Meng-chi, acting on the principle that "a commanding officer in the field should obey the orders of the monarch," adopted the method of resolute suppression to prevent turbulence in the south from expanding. To the government, Mr. Peng's contributions were quite impressive, but in the opinion of Kaohsiung's residents, the contributions are doubtful, because indiscriminate shooting without distinguishing the good from the bad caused a large number of casualties. At that time, General Ch'en I ordered Mr. Peng to seek a political solution, and also issued a strict order to the effect that "upon receiving the telegram, he must withdraw the troops to the barracks immediately, restore order, and strictly observe discipline.... Otherwise, he will have to bear responsibility for the incident." However, when a civilian representative came to the fort headquarters to demand that he lay down his arms, Mr. Peng saw this as a galling shame and humiliation to the military. Moreover, he did not understand that the incident was only the result of "a fit of temper by some Taiwan compatriots." After the incident, the government promoted him to become Taiwan's garrison commander, thus invoking more dissatisfaction and complaints from civilians.

What Chang Mu-tao—commander of the Fourth Military Police Regiment—did, was questionable. He first advised Chiang Wei-chuan to mediate the dispute between the military and civilians and allowed him to join the Committee for handling the dispute in a bid to disintegrate Chiang Wei-chuan's ranks; then at 1200 on 8 March, when the National Army was about to come ashore, he lied to the members of the committee by saying that so long as the masses of people did not attempt to disarm the troops, the government would not take any military action against Taiwan. This was an attempt to cause people to lower their guard and induce

those who had thought of running for their lives to remain in place. As a result, when the troops came ashore to make arrests, these people were like fish in a net. Besides, after the announcement of a curfew, military police units under the Chang Mu-tao continued to make arrests everywhere, and some malpractices were reported. When Defense Minister Pai Chung-hsi came to Taiwan on an appeasement mission, he issued an order demanding that all future arrests of offenders be carried out by the Garrison General Headquarters, but military police units continued to make arrests in clear defiance of orders from the higher authority.

Besides, administrative personnel in Taiwan cannot escape the suspicion of misleading the authorities. During the incident, both the Military Investigation Statistical Bureau and the Central Investigation Statistical Bureau exaggerated the seriousness of the situation by pointing out that the participants did not simply demand political reform, but harbored a major conspiracy to rebel against the country, to seek independence, and to seize power; moreover, they also exaggerated the number of casualties among the compatriots from other provinces and also the number of people who took part in the turmoil. As a result, Chairman Chiang, believing that the situation was serious, dispatched the 21st Division and 205th Division of the army to Taiwan to quell the rebellion, but the chairman issued strict orders that retaliation against the people of Taiwan was strictly prohibited. However, his orders were not obeyed by his subordinates. Undoubtedly, public attention focuses on Chairman Chiang's role in quelling the "28 February Incident." As the head of the state, Chiang had the power to send troops to put down any rebellious movement. Nevertheless, we need to take a close look and see whether there was any flaw to the decision or any abuses in carrying it out. Judging from various material, the Handling Committee acted at most only out of a desire for a high degree of autonomy and had no intention of opposing the central authorities. However, preoccupied with military affairs, Chiang had no time to look into the incident and, being overconfident of Ch'en I, he accepted his request for the dispatch of troops. Here he could not be excused for neglecting his supervisory duties. Later, although he realized the whole situation, a historical mistake had been committed and was irreversible. Another regrettable thing is that many retaliations and violations of the law were committed in the course of carrying out the suppression mission. It is true that Chiang had indeed repeatedly called for discipline and had banned retaliation; nevertheless, he failed to prevent it. Moreover, in the wake of the incident, functionaries of Taiwan origin (such as Chiu Nien-Tai and Tsai Pei-huo) had suggested that those guilty of dereliction of duty be punished in order to appease the public. Chiang did not accept their suggestions, thereby leaving a social wound unattended for a long time to come. He indeed was not very considerate and thoughtful.

With so many people killed and injured, the "28 February Incident" is indeed a major tragedy in Taiwan's

history. The tragedy is two-fold. To Taiwan victims, they died with an everlasting regret that they had survived the imperialist oppression during the Japanese occupation only to die at the hands of the army and police of the motherland, to whose fold they had day and night longed to return. They might have criticized the government or asked that Taiwan be ruled by the Taiwanese, but they did not intend to rebel against the government. Failing to see the truth, the authorities treated the incident as a rebellion. No wonder the victims' families are so resentful. What calls for more criticism is that many of the cases did not receive public hearings and some victims were even executed secretly, with no trace left behind whatsoever. These would not be acceptable in a civilized society. Furthermore, many people who had never taken part in any action of resistance fell victim to the army's guns. Many innocent people of mainland origin who came to Taiwan after its restoration were scapegoated for the corruption and graft of a number of military and government personnel. They were blindly attacked by the agitated masses, with some being killed or injured. Although the number of mainland people killed or injured was less than that of victims from Taiwan, it was enough to scare some of mainland government employees and teachers out of Taiwan while leaving those who remained behind with a grudge against

the Taiwanese, thereby affecting the unity between the people from Taiwan and the mainland. What an unfortunate thing that was.

Thanks to investigations and research by various quarters, a general picture of the "28 February Incident" has emerged. However, a precise count of those killed and injured has been very difficult to obtain, despite all efforts to collect material, conduct interviews, and analyze figures. In the course of interviews, researchers felt deeply for the victims' families' nightmares and sorrows that they had experienced over the past few decades. We cannot forget their helplessness, sadness, and expectations, which the authorities also should not ignore. Past experience, if not forgotten, is a guide for the future. We shall learn from this unfortunate event and guard against any other fratricidal incidents. We hope that the authorities will not avoid the responsibility for having handled the incident improperly back then, and show sympathy and consideration for innocent victims. In addition, we also hope that compatriots of both Taiwan and mainland origins will be able to realize the special conditions surrounding this past incident, transcend the suffering and pain caused by this tragedy with a forgiving and peaceful heart, and join hands to create a better future.

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