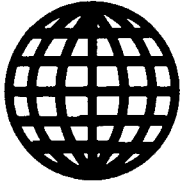


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29 MAY 1992



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Article Views Human Rights, Value Systems

92CM0242A Shanghai JIEFANG RIBAO in Chinese
18 Mar 92 p 6

[Article by Bao Zonghao (7637 6275 135) and Yao Jianjian (1202 0313 1696), associate professor and lecturer at the humanities and social science center, Huadong Institute of Chemical Industry: "Value Systems in Human Rights"]

[Text] Two distinctive value systems exist in the area of human rights: the individualism-dominated model of human rights, which is bourgeois, and the collectivism-dominated model of human rights, which is Marxist. There are essential differences between the two value systems on all these three levels: individual human rights, collective human rights, and the relations between them. The individualism-dominated model of human rights is the product of a specific time and place; it is both harmful and unrealistic to attempt to broaden it into a universally valid truth. The masses' political, economic, social, and cultural rights are interdependent, complementing and nurturing one another. For most developing nations, the top priority these days is to solve problems like food, housing, transportation, employment, education, and medical care.

The conflict over human rights in the world today is essentially a clash between the value systems of different social systems, different classes, and different strata. Nowhere is the conflict sharper than in the clash between the value system dominated by individualism and that dominated by collectivism. It is imperative that we clarify this point if we are to participate and cooperate effectively in the human rights arena internationally, improve the socialist human rights system over time, and study human rights theory in depth.

Differences on Three Levels

Marxism does not examine human rights as "natural rights" or in an abstract sense. Instead the relationship between human rights and value system is laid bare by analyzing the activities of human labor. To Marx, labor is man's "normal activity of life," an "expression and affirmation of life." In essence, labor is an activity man undertakes freely and consciously. It is precisely by engaging in this kind of activity freely and consciously that man discovers his own strength and affirms his own value. That man is able to realize his own value through labor suggests that human labor has specific free right and is guided by self-consciousness. In contrast, when man undertakes labor that has no free right, not only can he not affirm his value through labor, but he will actually feel that the more he works, the heavier the burden. Instead of affirming his own worth through the products he creates, man would feel that labor deprives him of his dignity, respect and value. By robbing man of his freedom and rights, private ownership prevents a person from truly realizing his value. Under the public ownership of means of production, man genuinely enjoys the freedom and right of labor. Only then is he able to realize his own value through labor. Consequently, man's rights and value are one and the same thing. The fact of the matter is that an

individual's rights are a hallmark of his realization of value through labor and practice. As part of a person's rights, human rights emphasize recognition of and respect for his worth. Our understanding of human rights (that is, human value) reflects our understanding and affirmation of self-worth, dignity, status, and sense of mission. Such understanding and affirmation are epitomized as a value system.

In the context of a particular citizen's basic right to exist as well as his basic political rights, human rights emphasize personal value. In the context of the survival interests of a nationality, an ethnic group, a region to which the individual is closely related, and even all mankind, human rights more broadly refer to the value of the individuals in the collective. Invariably the individual rights and values are realized in the social collective. Thus it would be totally meaningless to talk about human rights in isolation from the interests of the social collective and those of the people, or from human value. Yet this is precisely what has caused the clash between the two value systems over human rights issues.

There are two clear-cut value systems on the human rights issue: the bourgeois model of human rights dominated by individualism and the Marxist model of human rights dominated by collectivism. Thus the battle line is drawn in the struggle over human rights.

As the two most fundamental value systems, individualism and collectivism are essentially different in substance. Judging from Western literature, the individualistic value system has three meanings: an emphasis on the development of individuality, an emphasis on the supreme importance of individual rights and individual interests, and an emphasis on personal dignity and value. The be-all and end-all of this value system is the abstract self, which transcends classes. In contrast, Marxist collectivism proposes that we seek to understand man's nature using the evolution of the method of social production as our base. The liberation of man, it is argued, can come about only through the liberation of classes and that of society, not simply through "personal struggle." Also, the individual and the collective complement each other. Every individual has his relatively independent interests and value, while the collective is composed of many living persons. The theoretical basis of Marxism is historical materialism. By analyzing man's nature in depth, Marxism scientifically solves the problem of inherent unity between the individual and society, between the individual and the collective. These two value systems are distinguishable from each other on the following three levels in the realm of human rights.

First, on the level of personal human rights. The bourgeoisie stresses the inalienability of human value, rights, and the self, stressing only rights and overlooking obligations. In a capitalist society, therefore, the bourgeoisie, driven exclusively by private interests, makes self-centeredness the sole criterion for conduct. All behavior, whether or not it is exploitative and predatory, whether or not it benefits society or the development of all mankind,

is considered legitimate provided it is good for the individual. Given this value system, sharp conflicts will inevitably arise between the individual and society, thus intensifying the various contradictions in capitalism. For this reason, some people of insight in the West also have begun to realize the limitations of extreme individualism, arguing that a self-centered orientation may lead to the willful and arbitrary interpretation of human rights, which would be dangerous. According to the Marxist model of human rights, individual human rights must not transcend the collective and society. This is the biggest difference between the Marxist model of human rights and its capitalist counterpart. As far as the relationship between rights and obligations is concerned, there are no rights without obligations and vice versa. The social value of an individual is realized through the individual's contribution. The more he contributes, the greater his social value. Society, in turn, is a collection of individuals who enjoy social rights and interests. Accordingly, a human rights system guided by collectivism demands such basic rights as the right to work, the right to rest, the right to health care and medical insurance, and the right to be educated and maintain an appropriate standard of living, as well as personal rights for the individual. The state, the collective, and all members of society must respect the legitimate personal rights and interests of every worker and create a sound social environment for the full realization of the value of each individual.

Second, human rights on the collective level. In the early phase of capitalist development, the bourgeois model of human rights basically rejected collective human rights. In the 1960's, following the internationalization of the human rights issue and the active participation by socialist nations and Third World countries in the human rights struggle in the international community, the concept of human rights gradually broke with the traditional bourgeois definition, which is centered on individual rights and basic freedom. Racial equality, national sovereignty, national authority, peace, development rights, and other collective human rights came to be accepted by a majority of nations in the world. In light of this development, some bourgeois thinkers, too, began suggesting that human rights should be a mix of individual rights and collective rights. In the capitalist world as a whole, however, human rights still are centered upon individualism. For instance, the draft "Resolution on a New Concept of Human Rights" adopted by the 32d UN General Assembly, which reflects the thinking of collective human rights, was opposed by the capitalist nations, 11 of which in Western Europe and North America found the provisions on collective human rights in the resolution unacceptable and abstained. In contrast to the bourgeois model of human rights, the total liberation of all mankind, including that of every individual, the genuine realization of the value of each individual, and the full development of his potential are the historic choices and basic values in Marxism that are consistent with the law of the development of history. Moreover, Marxist collective human rights inherently include individual rights, embracing not only economic, social, and cultural rights, but also the development rights of a nation or

society. Most developing nations in the world today should put a greater emphasis on "collective human rights" because "collective human rights" are the foundation of all individual human rights and a prerequisite for the enjoyment by the individual of all rights and freedom.

Third, about the relationship between personal human rights and collective human rights. The bourgeois model of human rights, dominated by individualism, emphasizes the separation of personal human rights from collective human rights. In recent years, as the clashes and confrontations between the assorted interests in capitalist societies have escalated because of extreme individualism, resulting in serious social problems, many Western nations have attempted to adjust the balance between the individual and society, between personal rights and collective rights, in a limited fashion. Such tinkering, however, does not fundamentally alter the value orientation of the bourgeois model of human rights. In accordance with the Marxist model of human rights, on the other hand, the state, the nation, and the individual are interdependent under socialism. If there is no national sovereignty and national independence, we cannot even begin to talk about human rights for the individual. Similarly, if human rights for the individual are not guaranteed and realized, there is no way national sovereignty and national independence can truly become the internal engine for consolidating and furthering development. Thus collectivism-driven human rights bridge the gap between the individual and the collective (nation, state) and create the political, economic, cultural, and social mechanisms for integrating personal human rights with collective human rights, including national sovereignty. Needless to say, the emphasis in human rights is not always the same, varying as it does with time, place and circumstance. When the nation is on the brink of extinction, the thrust of human rights is to fight for national independence and liberation. When national sovereignty is seriously encroached upon and even jeopardized, the basic concern of human rights is to preserve national sovereignty. When neither national independence nor national sovereignty is seriously threatened but personal human rights are being brutally trampled on, the safeguarding of personal human rights will take center stage.

Differences in Social and Ideological Origins

The differences and struggle between two value systems over human rights actually reflect the different demands of the two value systems and two classes. So the differences are not only objectively existent but have their own deep-seated social and ideological roots.

To begin with, the two value systems differ in their social base. With individualism-driven human rights, a product of capitalist private ownership, formalistic and superficial freedom and equality always conceal real inequalities and the actual lack of freedom. Equality and freedom in circulation always camouflage oppression and exploitation in the production arena. In contrast, collectivism-driven human rights are a product of socialist public ownership. Its continuous improvement and full realization is a historical process. The full realization of human value is part

of the continuous improvement of human rights thought and the liberation of all mankind is the goal of collectivism-dominated human rights. The integration of external human rights with internal human rights, form with substance, is a basic characteristic of socialist human rights development.

Furthermore, the two systems differ in theoretical base. The theoretical cornerstone of human rights is humanism. Human rights are an expression of humanism in the form of rights for man. Human rights embody an effort to institutionalize and stabilize humanistic thinking. As a system of thought, however, humanism can be divided into bourgeois humanism and socialist humanism. Given this distinction, there are bound to be different interpretations of human rights. To begin with, they differ in their understanding of the nature of human rights. By and large, in the bourgeois model human rights are regarded as a natural product; there is an exclusive emphasis on the natural attributes of human rights. In Marxism, on the other hand, human rights are not natural rights, but the rights enjoyed by man under a specific set of material living conditions. The source of human rights is a mix of man's natural attributes and social nature. Second, the two value systems differ in their understanding of the attributes of human rights. To bourgeois scholars and politicians, human rights are an individual's class-transcending rights. They are his birth right, untransferable and inalienable. In Marxism, human rights reflect a particular kind of interest relationship. In a class society, different classes have different interests, so more than anything else, human rights reflect the interests of the ruling class and have a distinctive class nature. Human rights to a certain extent also reflect the shared common interests of different classes, such as the right to peace and environmental right, so human rights also have their general attribute. Finally, they differ in their interpretation of the goal and end product of human rights. With individualism-dominated human rights, the basic goal is the maximization of capital, the preservation of the inviolability of private property, and the safeguarding of bourgeois privileges. Capitalist human rights thought is considered the height in human rights. According to Marxism, on the other hand, the basic goal of human rights is to achieve man's total liberation, eliminate classes and private ownership, and ultimately bring about communism for all mankind. The Marxist, it may be said, truly combines human rights, humanism, and the demand for freedom, democracy, and equality with the historic mission of the proletariat.

Some Basic Points in Examining Human Rights Issue

To sum up the above analysis, we think we must proceed from the following starting points when we observe the human rights issue.

First, individualism-dominated human rights are related to the capitalist political economy. As the product of a specific time and specific place, they do not lack social value for Western capitalism. Unlike feudal asceticism, bourgeois human rights celebrate individuality and affirm

human value and dignity. They possess a historic progressiveness that cannot be denied. As a value system, they promoted the development of the capitalist commodity economy. At the same time, since they are the product of a specific point in time and a specific place, they inevitably carry with them the biases inherent in the bourgeoisie. They are the product of capitalist private ownership and the ideological reflection of private ownership. Any attempt to transform them into a universally valid truth is not only harmful but also unrealistic. In socialist China, individual-dominated human rights would be inconsistent with the nation's economic base. Besides, China lacks an individualistic historical and cultural tradition. It is not advisable, either, to transplant human rights simplistically or to accommodate them in an unprincipled way.

Second, the realization of human rights is a gradual process constrained by political, economic, cultural, and social conditions and traditions. It is both wrong and harmful to make excessive demands beyond what is possible given the existing conditions or to refuse to meet the plausible demands of the march of society and promote human rights. Today China is in the initial stage of socialism. The substance of human rights naturally should be compatible with China's economic and cultural conditions at its present stage of development. It would be futile to try to get around them. Furthermore, nations and nationalities differ in their specific conditions and level of development. At any one point in time, human rights are in different stages of development in different nations. Provided it is consistent with the actual conditions in the nation as well as the norms of international law on human rights, no nation should criticize the human rights situation in another country improperly or intervene in it in an effort to impose its own human rights and standards of values.

Third, the civil, political, economic, social, and cultural rights of the masses are interdependent, complementing and nurturing one another. In the modern world, the enjoyment of any right is subject to certain economic, social, and cultural constraints. The development of the state and the development of the individual complement each other. Only when they are developed can the state and the nation provide even more favorable political, economic, and social conditions for personal development. And personal development on this basis will in turn drive national and social development. Any position that pits national development against personal development is both erroneous and unrealistic. Therefore, the realization of basic human rights for the individual must be predicated upon the domestic legislation and other measures the nation has adopted in accordance with domestic conditions, and there can be effective international cooperation in the area of human rights only on the basis of a mutual respect for national sovereignty. As far as the vast number of developing nations is concerned, the top priorities nowadays are to solve problems like clothing, food, housing, transportation, employment, education, and health care; to eliminate the threat of hunger, poverty, and disease; and to improve the people's livelihood. China is

the world's largest developing nation with a huge population and little arable land. The party and the government have met the food and clothing needs of 1.1 billion Chinese people and made significant improvements in such rights as employment, education, medical care, and entertainment. This is true protection for the human rights of the Chinese people.

Copyright Protection Under Law Discussed

92CM0242B Shanghai JIEFANG RIBAO in Chinese
13 Feb 92 p 2

[Article by Cao Shouye (2580 1343 8518) and Cheng Zhuohong (4453 0587 4767): "Copyright Protection Under Chinese Law"; first paragraph is editor's note]

[Text] We have recently received a string of letters from our readers asking about the specifics of China's copyright legislation. A few days ago XINHUA NEWS AGENCY carried a series of questions and answers on how Chinese copyright legislation works to protect copyrighted materials. They are hereby published as a reply to all those readers who have written to us about copyright matters.

Question: What copyright laws and regulations are there in China?

Answer: The PRC Copyright Law has been in effect since 1 June 1991.

Before the PRC Copyright Law was promulgated and went into effect, China had no specific copyright law as such. However, the Constitution, civil law general rules, the Patent Law, the Technical Cooperation Law, other laws and administrative regulations, and pertinent policies had played a useful role in copyright protection.

Under the 1987 Civil Law General Rules, citizens and legal persons enjoy copyright protection. They are entitled under the law to sign, publish, issue, and be paid for a work. Civil liabilities for contract (including copyright contract) violations and copyright infringements as well as the methods in which the liabilities would be pursued are also spelled out. To protect the property rights of the copyright holder, the state agency in charge amended royalty regulations several times, gradually raising the royalty standards. Royalty regulations currently in effect in China are contained in the "Provisional Regulations on Book Royalties" issued by the State Copyright Bureau in 1990. The "Trial Regulations on Copyright Protection for Magazines and Periodicals," which were promulgated by the Ministry of Culture in 1984 and went into effect on 1 January 1985, contained New China's first clear and specific administrative regulations on copyright protection. In 1986, the Ministry of Radio, Film, and Television issued the "Provisional Regulations on Copyright Protection for Audiovisual Publications," which served a similar copyright protection purpose in the area of audio-visual publications and symbolized the improvement and completion of China's copyright protection system.

To ensure the full implementation of the Copyright Law, the State Copyright Bureau drew up implementation regulations for the law, which were published on 1 June 1991

after approval by the State Council. In accordance with Article 53 of the Copyright Law, the State Council drew up a separate set of regulations to protect computer software, which were published on 4 June 1991. This made the copyright law even more effective.

In March 1988, the Chinese Government formally announced it was granting writers from Taiwan, Hong Kong, and Macao the same amount of copyright protection enjoyed by their mainland counterparts and formulated a number of provisional rules and regulations.

In the wake of growing international literary, artistic, scientific, and technical exchanges, international copyright protection becomes increasingly important. The "Sino-U.S. High Energy Physics Agreement," "Sino-U.S. Trade Relations Agreement," and "Sino-Philippine [as published] Cultural Agreement," which were signed in 1979 and went into effect the next year, all contain intellectual property rights provisions offering mutual copyright protection. Furthermore, China is now hard at work preparing for its participation in the two leading international agreements on copyright protection, the Berne Convention on the Protection of Literary and Artistic Works and the World Copyright Convention.

Question: What areas come under the protection of China's Copyright Law?

Answer: Chinese law offers extensive copyright protection. As far as the subjects of copyright protection are concerned, the works of all Chinese citizens, all legal persons, and all non-legal-person units enjoy copyright protection under the law. Copyright holders include both writers and other citizens, legal persons, and non-legal-person units which enjoy copyright protection under the Copyright Law. Copyright protection also extends to the foreigner who first publishes a particular work in China and to the foreigner whose country has signed an agreement with China or is a party to an international agreement which China has also joined, and who has works published in China. The kinds of works protected by the law range far and wide, including: 1) written works; 2) oral works; 3) musical, dramatic, and choreographic works, and works involving such folk art forms as ballad singing, story telling, comic dialogues, and clapper talk; 4) artistic and photographic works; 5) films, television, and videotapes; 6) engineering designs and product design drawings as well as their explanations; 7) maps, sketch maps, and other graphic works; 8) computer software; 9) other works as specified by law and administrative regulations. Works in the above-mentioned forms in the fields of literature, arts, natural science, social science, engineering, and technology all come under the protection of Chinese law. In terms of the kinds of right eligible for protection, the reach of the Copyright Law also is broad, including such personal rights and property rights as the right to publish, the right to sign a work, the right to make revisions, the right to preserve the integrity of a work, the right to use a work, and the right to receive compensation for it.

Question: What agencies are in charge of copyright protection in China?

Answer: The State Copyright Bureau was established in 1985 with the approval of the state. Other than Taiwan and Tibet, the nation's 29 provinces, autonomous regions, and municipalities directly administered by the central government subsequently all set up copyright bureaus or offices. Under Article 8 of the Copyright Law, the State Copyright Bureau oversees copyright management nationwide, while the copyright agency of a province, autonomous region, or municipality is in charge of copyright work within its own administrative jurisdiction.

Question: What methods are used under Chinese law to achieve copyright protection?

Answer: China uses a variety of copyright protection methods. 1) Administrative mediation. Copyright management agencies at all levels may mediate copyright contract disputes and other disputes arising from copyright infringement in their capacity as administrative departments in charge. It is primarily up to the parties in the dispute to voluntarily comply with the mediation agreement. The agreement is not legally binding. 2) Administrative penalties. When any one of the seven actions listed in Article 46 of the Copyright Law has been committed, the copyright management department may confiscate the illegally obtained income and impose a fine or other penalties. 3) Contract arbitration. In a copyright contract case, if the contract at issue has no arbitrary provisions, if no written arbitration agreement is subsequently reached, or if a people's court refuses to enforce the arbitration ruling because it violates the law, the party may file a suit in the people's court. 4) Administrative litigation. When a party involved disagrees with the administrative penalties imposed by the copyright management department, it may sue in the people's court within 3 months after receiving written notice of the administrative penalties. The people's court may make a ruling in accordance with the administrative procedural law and other laws. It may uphold the penalties, overturn them, or modify them. However, when a party neither files charges within the allowed time period nor complies with the penalties, the copyright management department may apply to the people's court for their mandatory enforcement.

Control of Marriages of Mentally Retarded Urged
92CM0242C Shanghai JIEFANG RIBAO in Chinese
23 Feb 92 p 6

[Article by Jin Bo (6855 3143) and Zhu Hui (2612 6540):
"Strictly Control the Marriages of Mentally Retarded
Young People"]

[Text] 1) How would you feel when you come across scenes like these: In a quiet maternity ward, a mentally retarded young woman, her hair disheveled, cradles in her arms a baby with dull-looking eyes. On a busy street, a mentally deranged boy picks up trash from the ground and puts it in his month.

What shocking sights! The birth defect rate among newborns in China is a high 13.07 per thousand births, of which a considerable portion consists of mentally retarded children, who total almost 10 million nationwide. Even

Shanghai, which boasts the nation's lowest birth defect rate, has over 40,000 such cases. Some 14-year-olds have no control over their bowel movements, while a number of 17-year-olds cannot write their own names. Even more frightening is the fact that certain young people with genetic mental retardation do not know a thing about science but, influenced by backward customs, want to have a "son" all the same. In a certain district in Shanghai, over 300 couples in recent years applied to have a second child because their children were handicapped. After examinations, about a dozen couples were determined to have hereditary mental retardation and denied permission. Their families, however, did not know what was good for them and resorted to pulling strings in each and every way.

This casts a shadow upon a society that makes family planning its fundamental national policy in order to improve the quality of the population. It must not be ignored. To ensure the quality of the next generation and a better tomorrow for mankind, medical workers and neighborhood cadres in this municipality have worked strenuously in recent years and with a good deal of success.

2) Miss A, barely 20 years old, walked into the subdistrict office on Ruijin Lu No 2 in Luwan District. She was there specifically to obtain a marriage registration certificate. Dr. Jiang Xiu [3068 0209] was taken aback. This woman was obviously genetically mentally retarded. Did the 30-year-old fellow from Guangdong know?

Dr. Jiang Xiu tracked down the fellow from Guangdong and told him A's condition. To Dr. Jiang's surprise, the man said that provided the woman was capable of bearing children, he did not mind. A serious Jiang Xiu said that in a situation like this, he would write out a marriage certificate only if a sterilization procedure was performed first. A few days later, Dr. Jiang visited A's mother at home in an attempt to persuade her, "Your daughter and this guy from Guangdong have known each other for less than two months. Their love does not have a solid base. Your daughter's condition is genetic. Imagine their giving birth to a mentally retarded child later. Would they live a happy life?"

Thus a pair of lovers was broken up. There are numerous similar cases. In their eagerness to get married and have a son, or hoping to use marriage as a passport to enter Shanghai, some men have fallen "madly in love" with this municipality's young women who are mentally retarded or suffer from mental disorders. In accordance with the appropriate provisions in "Shanghai Family Planning Regulations," many districts and factories are not afraid to be the "bad guy" and have abided by the principle of "sterilize first, write out a marriage certificate later." Facts prove that this has been beneficial to the family life of many mentally retarded people.

There was a mentally retarded couple who worked at the neighborhood welfare factory in Jingan district. At one time they were rather critical of the "sterilize first, write out a marriage certificate later" policy. After they were married, the woman, a schizophrenic, had her good days and bad. The man's gastric ulcer also got worse. Their

parents sighed, "Imagine the chaos if they have not been sterilized and now had children. Thank you, neighborhood. Thank you, doctor."

3) Certainly even the strictest control is not foolproof.

Comrades in some neighborhood clinics say with a sigh, "Enforcing family planning policy is a tough job."

"You would not let my son register, but I will do it my way." So some choose to become pregnant first before they get married. Others obtain the paperwork in elsewhere where control is less strict. In these cases, we can only "mend the fold after a sheep is lost."

A young schizophrenic woman from east Shanghai wanted to marry a construction worker from Anhui. The neighborhood refused to write out a marriage certificate for them, but they secured a document in north Anhui. After she got pregnant, the woman's schizophrenia returned. The neighborhood visited her again and again, explaining to her the medical facts about pregnancy-induced schizophrenia and its consequences. In the end the woman was moved by their sincerity into agreeing to an abortion.

To do a good job, several neighborhoods in the Xuhui and Luwan districts take a preventive approach. They keep a file on all mentally retarded or sick people, classifying them by age, marital status, and fertility status. The neighborhoods also get the young people involved together to show them scientific films like "Genetics and Eugenics" and "School for the Newly-Wed" so as to enhance their understanding of the importance of eugenics education. Particularly worth mentioning is Ruijin Lu No 2, which has strictly regulated the marriage and childbirth of mentally retarded young people for 10 years. Even as it imposes strict control, it takes care to adopt reasonable measures depending on the circumstances in each case. Miss B, who lives on Huaihai Fang, was a young woman who used to suffer from schizophrenia but was in remission for four or five years after she got married. She and her husband very much wanted to have a child. Considering that the woman remained in stable condition ever since her marriage, that medicine allows people "who remain in stable condition two years after getting off medication" to get pregnant, and in view of the fact that Huaihai Fang residents' committee ran a pre-pregnancy monitoring room, the Ruijin neighborhood decided to grant the couple's wishes. After she became pregnant, the neighborhood and residents' committee sent people to give her regular prenatal check-ups. In the end she gave birth to a healthy baby boy without any complications. The elated family could not thank the family planning cadres enough.

4. Eugenics and improving the quality of one's offspring and that of the population assume special urgency for modern China, burdened with a huge population. However, there are still imperfections in the marriage and childbirth control of mentally retarded young people today.

—Laws and regulations are not detailed enough. From the "Marriage Law" to the "Shanghai Family Planning Regulations," there is still a lack of specific provisions

on certain issues relating to the marriage and childbirth of the mentally retarded and people with mental illness, issues like differentiating the mildly retarded from normal people and penalties for those with hereditary handicaps who have children in violation of the city's family planning regulations, even hurting future generations.

—Premarital inspection needs to be stepped up. Reportedly a handful of medical workers who carry out premarital examination often look at a case as it stands and do not have a strong sense of responsibility. The result is that some mentally retarded people and others with mental disorders are able to squeak through.

—Eugenics-consciousness is weak among the masses. In some neighborhoods where the educational standard is generally low, some elderly men and women have no modern medical knowledge and remain wedded to such notions as "the more sons one has, the better." They still believe that "having an idiot son is better than not having any offspring." In the eyes of some residents, family planning cadres who control the marriage and childbirth of mentally retarded young people are busybodies who have nothing better to do.

The strengthening of marriage and childbirth control for the mentally retarded and those with mental illness is currently facing all sorts of challenges. In the interest of the quality of the next generation and of tomorrow's construction, we must mobilize the forces in all social quarters to expedite this glorious undertaking.

QIUSHI on Integrating Principles, Tactics

HK2904092592 Beijing QIUSHI in Chinese
No 4, 16 Feb 92 pp 45-48

[Article by Wang Pei (3769 3099), assistant research fellow at the Party History Research Center of the CPC Central Committee: "Integration of Steadfastness Regarding Principles and Flexibility Regarding Tactics—Reflections on Study of Party History"]

[Text] The 70-year history of the CPC has proved that a proletarian party, in fighting against its enemies of every hue, must have a clear-cut stand in adhering to its revolutionary principles and apply flexibly the tactics for its struggle. The correct integration of steadfastness regarding principles and flexibility regarding tactics is a basic condition guaranteeing the victory of the cause of revolution and construction. On the eve of the nationwide victory of the new democratic revolution in China, Mao Zedong pointed out: "We should be firm in principle; we should also have all the flexibility permissible and necessary for carrying out those principles." (*Selected Works of Mao Zedong*, Second Edition, Vol 4, p 1,436) This is the summation of the historical experience of the Chinese revolution.

Never Barter Away Principles

In the course of its 70-year journey, the CPC has not only experienced armed suppression from its formidable enemies, but also met with the deceit and temptation of the reactionary forces both at home and abroad. However,

under all circumstances the CPC unswervingly upheld and defended the fundamental principles of Marxism and struggled resolutely in striving for and safeguarding the people's interests. The steadfastness on principles has enabled the party to defeat its enemies and overcome difficulties of all kinds. It has also enabled the party to surmount all dangers and difficulties, overt or covert, and win a bright future.

The CPC, being true to Marxist principles, has clearly understood since its founding that a proletarian party must use its clear-cut political position to show its confrontation with all political parties of the exploiting classes and its difference from various opportunist groups. The program of the First CPC Central Committee claimed: The objective of struggle of the CPC is to realize socialism and communism; the method is class struggle and the dictatorship of the proletariat. The party's program is like a banner publicly hoisted. The set goal has guided the Chinese communists and revolutionary people to forge ahead courageously generation after generation without fear of hardships and dangers; the defined revolutionary principles made a clear break with the social democracy of the Second International, which adored the bourgeois democratic system and advocated the parliamentary road. The CPC well understood that imperialists and reactionaries will never change their nature. "If you do not hit them, they will not fall." Revolutionaries should never imagine that they can achieve their goal peacefully without any sacrifice. It is achievable to barter away principles for fear of hardships and sacrifices and to sacrifice the future of the communist movement for the sake of immediate interests. The Chinese Marxists are also convinced that the just revolutionary forces will eventually triumph over all reactionary forces. No matter how tortuous the revolutionary road may be, the victory of the truth of Marxism is inevitable. Socialism and communism are bound to be realized in China and the world over. This is something irresistible by any forces. For this reason, the Chinese communists and revolutionaries have been fighting resolutely and unyieldingly in defense of Marxist principles and conscientiously dedicating themselves to the cause of communism.

After the failure of the Great Revolution in China (1924-1927), revolution in China was at a low ebb at that time. In the period from March 1927 to the first half of 1928 alone more than 310,000 Chinese communists and revolutionary people were killed. The Chinese communists, however, were neither cowed nor conquered nor exterminated. They picked themselves up, wiped off the blood, buried their fallen comrades, and went into battle again. They set off the storm of the agrarian revolution.

Through the practice of the grim struggle during the first Great Revolution and the agrarian revolution, the Chinese Communists came to a much deeper understanding of the class nature of the bourgeoisie, especially that of the grand bourgeoisie. Given that the Japanese imperialists intensified their invasion of China and the national contradiction became the principal one, the party believed that it was not only necessary but also possible to form an anti-Japanese

national united front with the grand bourgeoisie as well as with its political representative, the Chiang Kai-shek clique. At the same time, however, the party maintained high vigilance against their plots, never bartering away principles. During the Kuomintang [KMT]-Communist talks, Chiang Kai-shek, in an attempt to restrict and "dissolve the communists," set forth various conditions, such as that the first senior official of the Shaanxi-Gansu-Ningxia Border Region should be a member of the KMT, the Red Army should not have a unified military commanding body after its redesignation, the administration and education of its three headquarters should be directly controlled by the Xian field headquarters of the KMT and the director of the political training department, and the chiefs of staff of the three divisions should be dispatched by the KMT. However, the party flatly refused these demands. After the formation of the anti-Japanese national united front, the party Central Committee clearly pointed out: The foundation and objective of the KMT-Communist cooperation lies in resistance against Japan. To uphold the anti-Japanese national united front and to achieve victory in the war of resistance against Japan, we should not only persist in class struggle but also carry out resolute struggle against the capitulationist tendency and anticommunist policy of the grand bourgeoisie. This class struggle is an essential condition to ensure the victory of the national struggle. To this end, the party stressed the need to uphold the principle of "both unity and independence" in the united front and opposed the right capitulationist propositions of "everything through the united front" and "everything must be subordinated to the united front" put forward by Wang Ming. The party pointed out that these propositions actually meant that the Communist Party should do everything through and subordinate everything to Chiang Kai-shek, allowing ourselves to be bound hand and foot and voluntarily giving up the proletarian stand of acting independently and with the initiative in our own hand as well as the leadership of the revolution. The outcome would be to sacrifice the future of the united front and the anti-Japanese war. Our party corrected Wang Ming's right capitulationist errors and, during the war of resistance against Japan, not only adhered to the party's ideological, political, and organizational independence but also firmly carried out the party's program and political line and upheld the party's absolute leadership over the people's army, while going all out to mobilize the masses and expanding the people's forces. All these fundamentally guaranteed the victory of the anti-Japanese war and turned it into a victory of the people.

After the victory of the anti-Japanese war, the Chiang Kai-shek clique played the trick of "if you hand over the army, I shall give you democracy," in an attempt to lure the communists to hand over the people's army and the liberated areas in exchange for a few seats in the KMT government. Our party's answer to this was: The arms of the people, not even a rifle or a bullet, must not be handed over; the power achieved by the people should not be allowed to be lost and must be defended by force. During the Kuomintang-Communist talks, our party insisted that

the KMT government be reorganized. Our party understood deeply that the policy of the KMT reactionaries toward the people's revolutionary forces was: Those that can be wiped out should be wiped out now; those that cannot be wiped out now should be wiped out in the future. Toward the reactionaries, the policy of our revolutionary people was to give tit for tat: Those that can be overthrown should be overthrown now; with regard to those that cannot be overthrown now, we should vigorously prepare conditions for their overthrow in the future. As the party kept a clear head and adopted correct policies, we were not cheated by the reactionaries in the talks. When the reactionaries mounted a large-scale offensive, our party was firm in leading the people to defeat counterrevolutionary war with revolutionary war. Within a very short period of time, we achieved our goal of "overthrowing Chiang Kai-shek and liberating the whole country."

After the founding of New China, our party and state fully embodied steadfastness of principle in international struggle. Posing as "the patriarch party," Khrushchev proposed in 1958 setting up jointly owned and jointly controlled long-wave radio stations and united fleets in China's territory land and waters in an attempt to get control over China. However, this demand, which would have violated the sovereignty of our country, was sternly refused by the leaders of our party and state. Later on, being afraid that China's bombardment of Jinmen Island would present an obstacle to "Soviet- U.S. cooperation," Khrushchev asked China to make a commitment never to use force in solving the Taiwan problem. Of course, China could not accept this either. To prevent foreign interference, we should never make such a commitment, although it is a common aspiration of the compatriots on both sides of the Taiwan Strait, as well as an unflinching policy of our government, to reunify the motherland by peaceful means.

During the past 70 years, the CPC has always adhered to Marxist principle in international and domestic struggle and therefore scored one victory after another.

Formulate Our Own Policy on the Basis of Differentiation

Revolution always follows a tortuous road and never a straight one. Revolutionary forces need to be developed step by step, and enemies need to be wiped out one by one. A proletarian political party needs flexible tactics to accomplish its historical mission. It should be noted that there are various conflicts in the enemy camp, which is not a monolithic bloc. We must turn to good account all such disputes, rifts, and contradictions in the enemy camp to form a broad revolutionary national united front and thus, to the greatest extent, isolate and strike at the main enemy.

After the failure of the Great Revolution, Mao Zedong, after profoundly analyzing the contradictions inherent in imperialism, pointed out that the development of contradictions among the imperialist countries would surely intensify the contradictions among different factions of Chinese reactionaries supported by the imperialists and give rise to tangled warfare among the warlords. The Chinese Communists could make full use of these contradictions to achieve room for maneuver to establish red

political power and strive for its long-term survival. Therefore, it was totally groundless to be pessimistic. A single spark can start a prairie fire. The turn of events has fully proved Mao Zedong's analysis of this.

Before and after the start of the anti-Japanese war, the party Central Committee with Mao Zedong as the core repeatedly stressed the need to analyze and differentiate between international and domestic forces, and, based on this differentiation, formulate our policies. Internationally, it was necessary to make a distinction between Japanese imperialism, which had invaded China, and the imperialist powers which had not done so at that time; between Germany and Italy, which were allied to Japan, and Britain and the United States, which were in conflict with Japan; and between the Britain and the United States which followed a Far East Munich policy of betraying China in exchange for a compromise with Japan, and the Britain and the United States which abandoned that policy and aided China in resisting Japan. On the basis of these distinctions, the party adopted corresponding policies, which played an active role in winning international support for the Chinese people's war of resistance against Japan and in isolating and striking at Japanese imperialism.

Domestically, it was necessary to make a distinction between the pro-Japanese big landlords and grand bourgeoisie, who were against resistance, and the pro-British and pro-American big landlords and grand bourgeoisie, who favored resistance; between the two-faced big landlords and grand bourgeoisie, who favored resistance but vacillated and who favored unity but were anticommunist, and the national bourgeoisie, the middle and small landlords and the enlightened gentry, whose acts of duplicity were less pronounced; between the central group and local forces of the KMT, between troops under the direct control of Chiang Kai-shek and those not under his direct control as well as mixed troops; and between the traitors to China and the pro-Japanese double-dealers. Based on these distinctions, the party adopted different policies and tactics. For instance, our party once worked hard to win over the Northeastern Army and the 17th-Route Army, commanded by the patriotic generals Zhang Xueliang and Yang Hucheng, in jointly resisting Japanese aggression and, taking advantage of the contradictions between local warlord Yan Xishan and Chiang Kai-shek, established an anti-Japanese united front with Yan in Shanxi Province—all these played an important role in the formation and development of the anti-Japanese national united front. In the united front, our party firmly stuck to the general principle of "developing the progressive forces, winning over the intermediate ones, and isolating the diehard ones." In struggling against the diehard forces, we acted on just grounds, to our advantage and with restraint. In dealing with their anticommunist acts, we employed the policy of "if we are attacked, we will certainly counterattack; we will not attack unless we are attacked." These correct policies and tactics made it possible for our party to gradually develop its anti-Japanese armed forces and base areas, consolidate its anti-Japanese national united front day by day, and effectively curb and strike blows at the

perverse acts of capitulation and anticommunism committed by the Chiang Kai-shek clique.

During the war of national liberation, the party Central Committee with Mao Zedong as the core regarded policies and tactics as being as essential as life and greatly perfected them with the unfolding and development of the complicated contradictions both at home and abroad. While opposing the U.S. aggressive policy, the party distinguished between the U.S. Government and its people and between the ruling clique and ordinary American personnel in China. Within the KMT, the reactionaries were distinguished from the anti-American patriotic and the anti-Chiang democratic persons. In the agrarian reform movement, distinctions were made between rich peasants and middle peasants, big landlords and small and middle landlords, landlords and enlightened gentry and intellectuals, and feudal exploitation by landlords and rich peasants and the practice of industry and commerce. Following the failure of the talks with the Nanjing government in 1949, the party adopted different policies toward the KMT central government, local governments, and military blocs. Thanks to the correct policies and tactics firmly carried out by the party, we united all the forces that could be united and soon placed the Chiang Kai-shek clique in unprecedented isolation and encirclement by the whole people. Opposed by the masses and deserted by its followers, the Chiang Kai-shek clique completely collapsed.

For a certain period of time after the founding of New China, the international anti-China forces applied a policy of blockading and isolating our country. However, our government, on the basis of summing up our historical experience and in accordance with the new situation, persisted in implementing the five principles of peaceful coexistence in international affairs and actively promoted exchanges and contacts with the peoples and governments of all countries. In the 1970s we restored diplomatic relations with most countries the world over, including the United States and Japan, thus breaking through the blockade imposed against China. Socialist China is now playing a more and more important role in international struggle. History proves that policies and tactics such as "developing the progressive forces, winning over the intermediate forces, and isolating the diehard forces," "making use of contradictions, winning over the majority, opposing the minority, and crushing the enemies one by one," and "acting on just grounds, to our advantage and with restraint," which took shape in the party's protracted struggle, and the rich experience in flexibly applying them on the basis of differentiation are a powerful weapon in fighting international and domestic hostile forces.

The Combination of Alliance and Struggle, the Unity of Principles and Tactics

The tactics of the proletariat and its political party toward its enemies and its allies are nothing more than the two aspects—alliance and struggle. How to handle them properly is of crucial importance. During the war of resistance against Japan, Mao Zedong summed up both positive and negative historical experiences and gave a brilliant exposition on this issue. He said: "Our anti-Japanese national

united front policy today is neither all alliance and no struggle, nor all struggle and no alliance, but combines alliance and struggle." (*Selected Works of Mao Zedong*, Second Edition, Vol II, p 763)

The combination of alliance and struggle runs through the party's policies and tactics in all aspects. For instance, the party's policy of maintaining independence and keeping the initiative in our own hands in the united front and the policy of both unity and independence are a combination of alliance and struggle. We should also apply these revolutionary dual tactics to the diehard forces. We allied with them for their willingness to join the anti-Japanese war, and struggled against them for their aspects of splittism, anticommunism and capitulationism. The party's policies toward the national bourgeoisie were different in principle from those toward the grand bourgeoisie. However, even toward the grand bourgeoisie, we also adopted the policy of both unity and struggle. Historical experience tells us: If unity is sought through necessary struggle, it will live; if unity is sought through endless concessions, it will perish. Of course, the means, approaches, and objectives of struggle for the two above-mentioned were also different.

The correct handling of the relationship between alliance and struggle lies essentially in the proper handling of the relationship between steadfastness regarding principles and flexibility regarding tactics. For a proletarian political party, there is unity between steadfastness of principles and flexibility of tactics. Steadfast principles need flexible tactics in their application, while flexible tactics must serve the purpose of carrying out steadfast principles and be permitted by principles. Here we must draw a clear line of demarcation between necessary concessions and bartering away principles. Marxists do not rule out proper and necessary concessions as long as principles are adhered to. During the war of resistance against Japan, Mao Zedong pointed out that "the national war of resistance against Japan would have been impossible without the reorganization of the Red Army, the change in the administrative system in the Red areas, and the abandonment of the policy of armed insurrection. By giving way on the latter we achieved the former; negative measures yielded positive results. 'To fall back the better to leap forward'—that is Leninism. To regard concessions as something purely negative is contrary to Marxism-Leninism." (*Selected Works of Mao Zedong*, Second Edition, Vol II, p 214) However, we should never sacrifice our principles or the basic interests of the party and the people for the sake of concessions. It is characteristic of opportunism to gain temporary interests at the expense of the basic interests of the proletariat. Comrade Mao Zedong pointed out that "there are indeed instances of purely negative concessions—the Second International's doctrine of collaboration between labor and management resulted in the betrayal of a whole class and of a whole revolution (Ibid). Therefore, we should combine well our absolute devotion to the cause of communism with the skills of being good at making all necessary concessions, adaptability, accommodation, outflanking, and retreat in practice.

The course of the party's struggle has shown that the Chinese Communists with Mao Zedong as their representative have reached the acme of perfection in integrating steadfastness of principles with flexibility of tactics, thus guaranteeing the advance of the Chinese revolution and construction from one victory to another.

The international situation today is intricate and turbulent. Socialist China has now become the main obstacle to the Western monopoly capitalists in their attempt to restore capitalism the world over. Their spearhead of peaceful evolution will inevitably be directed at China, which is now still holding high the banner of Marxism-Leninism-Mao Zedong Thought. In the face of such a rigid situation, we must heighten our vigilance and handle it carefully. At the same time, we should notice that various kinds of inherent contradictions exist and develop in this world and that the internal conflicts of the Western capitalist world will also intensify day by day. As long as we are good at making use of these contradictions and conflicts, making as many friends as possible, we are sure to have plenty of room for action in the international arena and to maintain a peaceful environment for a considerably long period of time for our socialist construction, reform, and opening up. In view of this, it is of great practical significance for us to learn the party's historical experience of integrating steadfastness of principles with flexibility of tactics.

Chen Yuan: Leader of 'Party of Princes'

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[DEMOCRATIC CHINA] in Chinese
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[Article by He Ping (0149 7340), formerly a reporter on the mainland and now a Chinese affairs analyst residing in Canada, and Gao Xin (7559 2450), formerly editor of Beijing Normal University's school newspaper and currently a visiting scholar at Harvard University's John King Fairbank Center for East Asian Research: "Chen Yuan (7115 0337)—Top Seeded Contestant From the 'Party of Princes'"]

[Text] Since the second half of 1991, the PRC's "Party of Princes" has increasingly become a hot topic among those who are interested in the CPC's future political development. At the end of 1991, several overseas reports again drew people's attention to the man who currently holds the most prominent position among all members of the "Party of Princes," who seems most destined to rise to power, and who is Deng Xiaoping's most hardline opponent—Chen Yuan, eldest son of Chen Yun.

The "Party of Princes" which began to flourish at the close of the Mao Zedong era is divided into three circles headed by Hu Deping [5170 1795 1627], Deng Pufang [6772 2883 2455], and Chen Yuan, respectively. He Deping rose to power relatively early, but after his father began to lose power and eventually passed away, the "Princes Circle" under his command also basically collapsed, and his followers have either drifted abroad or faded into obscurity at home.

Deng Pufang basically has reached the peak of his power. Members of his clique are in position to hold real power. For example, one of his henchmen, Yu Zhengsheng [0151 2973 5116] (son of former Tianjin Mayor Huang Jing [7806 2417] and son-in-law of former Defense Minister Zhang Aiping [1728 1947 5493]) was mayor of Yantai City before becoming mayor of Qingdao, a city with province-level economic decision-making authority (subprovince-level.) Another henchman, Tang Ruoxin [0781 5387 2500] (Tang Tao's [0781 1718] son) is Qinhuangdao's mayor, and in December 1991, Lin Boqu's [2651 0130 3255] son Lin Yongsan [2651 3938 0005] was named vice chairman of the Inner Mongolia Autonomous Government.

Chen Yuan's circle is still a developing force in the "Party of Princes," but it is bearing down menacingly. In one leap, he has become the leader of the "CPC's Third Force." No matter if this "assumed posture" is deliberate or unintentional, it is too soon to tell whether it is a blessing or trouble for Chen Yuan personally. It could be trouble when one considers that if Chen Yuan plays his hand too soon, it could arouse even more resentment against the "Party of Princes." It could be a blessing if one considers that Chen Yuan's going public now could net him some followers and his naked proclamation could facilitate some kind of alliance.

But no matter what, from the information at hand, it has been already proven that Chen Yuan's rise to power should not be overlooked—it makes no difference how important a role this man may play in Mainland China's changing situation in the future.

First, after the Soviet coup failed in August 1991, Chen Yuan's grassroots troupe of theoreticians in Beijing, the Ideology and Theory Department of the ZHONGGUO QINGNIAN BAO [CHINESE YOUTH], quickly came up with out a 14,000-word "Pragmatic Faction" reform program based on "Chen Yuan thoughts" and submitted it to the CPC Central Committee.

The program criticized the CPC for failing to complete "the change-over from a revolution party to a ruling party" which was the reason for the many mistakes made in the last decades. It also denounced the ill consequences brought by the "romantic reform outlook" which Deng Xiaoping had supported a few years ago. It emphasized the economic reform concept of "proceeding in an orderly fashion based on realism and rationalism" and the nationalist world outlook based on the idea that "China is the Chinese people's only homeland."

Second, in order to strengthen and reinforce their power base, members of the "Party of Princes" are currently enlisting the supporting of liberal intellectuals, hoping to use these intellectuals to accelerate the pace of economic reform.

Reportedly, Chen Yuan and Deng Yingtao [6772 5391 7118], Deng Liquan's [6772 0500 5028] son, once told several overseas "dissidents" that in the post-Deng Xiaoping era, Chen Yuan would play a major role and would make full use of the "dissidents'" talents, and if they would stop engaging in "anti-party activities" overseas,

they not only could safely return to Mainland China but could even resume their old official posts.

Third, Chen Yun once presented the "Proposals From Many Old Comrades of the Central Advisory Commission" to Deng Xiaoping and Yang Shangkun in person and urged that "the children's army" be promoted.

Chen Yun said, "Let the descendants of the revolutionaries take over at the 14th National Party Congress. We have confidence in our children. At least they will not refute everything their old men stand for. In this respect, we are better off than the Soviets, especially because we have gone through the Cultural Revolution and our children have been tested."

Fourth, when Deng Xiaoping suggested picking successors to top positions at various levels, he was very demanding of and set high standards for the cadres' children.

Deng Xiaoping said, "In selecting and promoting people to leadership positions in the Central Party Committee and provincial and municipal party committees, we should hold back and not promote the children of leading cadres who are still alive and well. We should give them a change to do some solid work in the grass-roots level departments."

Chen Yuan's Political Clout Lies In His Being Educated and Experienced

In the CPC's unclassified official documents, Chen Yuan's name and vita are found only in the *Zhongguo Zhengfu Jigou he Guanyuan Minglu—1989-1990* [Directory of Chinese Government Organs and Officials—1989-1990], compiled and published by the Chinese News Development Company, and in *Zhongguo Renming Dacidian—Xianren Dangzhengjun Lingdao Renwu Juan* [Dictionary of Chinese Names—List of Current Party, Government, and Military Leaders] (Bilingual Chinese-English Edition.) The latter directory lists the names in alphabetical order, and Chen Yuan's name is listed just before his old man's, which would have been a serious taboo in feudal times.

The foreign press has the following to say about Chen Yuan: He is an introverted but ambitious man. On the one hand, he seems to be carrying forward the concept of central planning which Chen Yun embraced with enthusiasm. On the other hand, he often conveys the image of an enlighten man in public and likes to propagate reform ideas. In addition, he is not very sociable and has made only a vague impression on the public.

In 1945, Chen Yun's family was blessed with double happiness. First, he was elected a member of the CPC Politburo at the First Plenary Session of the 7th Party Central Committee. Second, his wife, Yu Ruomu [0060 5387 2606] gave birth to their first son.

It is said that back then Chen Yun had hoped for another son, and that is why he named his first son Chen Yuan.

Chen Yuan spent his childhood living with his father in the northwest but moved to Beijing after the founding of the

PRC. In 1953, he enrolled in Beijing's Number 2 Experimental Elementary School. In 1958, he entered Beijing Number 4 High School.

After graduating from high school in 1965, Chen Yuan, like most children of high-ranking CPC leaders and cadres at that time, took to the idea of "using science to raise the nation" and opted to study science instead of arts. He entered Beijing's Qinghua University to study automatic control systems.

After graduating from Qinghua in 1970, he worked as a technician in the Ministry of Astronautic Industry's No. 3 Research Institute. He joined the Communist Party in 1975.

In 1966, when he was a college sophomore, the "Cultural Revolution" broke out. Perhaps it was because of his father's influence, or perhaps it was because of the way he was brought up, Chen Yuan did not play an active part in that movement; he was a member of the "leisure faction."

In October 1978, as one among the first group of students to enter graduate school after Mainland China reinstated the college entrance exam system, he enrolled in the Chinese Academy of Social Sciences' [CASS] graduate school to study Practical Economics under the tutelage of Ma Hong [7456 3163] and Yu Guangyuan [0060 0342 6678].

Back then, CASS's graduate school did not have its own campus, and the students had to be housed in Beijing Normal University. At that time, Chen Yuan's sister Chen Weihua [7115 0251 5478] was an undergraduate, class of 1977, majoring in History at Beijing Normal University. The Chen brother and sister attracted much attention on campus.

Some of Chen Yuan's former classmates later recalled that because they were put up at Beijing Normal University, living conditions were very poor. On the average, four students were crowded into a room measuring a little over 10 square meters. Chen Yuan was assigned a bed space too, but he seldom stayed there. For that, his roommates were happy to be assigned to his dorm.

Many of Chen Yuan's fellow students were married and had children. Some were from poor families in the rural areas and were living on very budget. Nobody ever thought of asking Chen Yuan for financial help, but he often took the initiative to show concern, and on holidays, he would invite out-of-town students to his home, and so he has left a good impression in the minds of many fellow students.

Losing His Wife in Mid-life Was His First Defeat in Life

Chen Yuan married in 1972, and a year later, a grandson was born to the Chen family. According to those close to Chen Yuan, this son of his is a very hard-working student; he has completed his high-school education with distinction and will be entering college in the summer of 1992. Unfortunately, around 1980, Mrs. Chen had cancer, and all medical treatments failed. She later died.

Losing his wife in mid-life was Chen Yuan's first defeat in life.

Chen Yuan's second wife is a young and pretty lady from Shanghai. She became a doctor after graduating from college. She also had a son with Chen Yuan. Two years after the baby was born, she left him with his grandmother Yu Ruomu and went alone to the United States and became a visiting scholar at some university.

He Has Emphasized "Pragmatism" Ever Since He Got Into Politics

As a graduate student, Chen Yuan was quite studious and did fairly well. But even then his classmates thought that the reason he majored in Practical Economics was to lay a theoretical foundation for his future political career and build a firm academic base.

In August 1981, Chen Yuan was graduated from CASS's graduate school with a M.A. degree in Economics. He remained at the Academy for a short time to do research but was soon transferred to the State Planning Commission as an engineer.

In mid-1982, Chen Yuan was officially transferred to Beijing's Xicheng District as the District Party Committee's deputy secretary. Thus began his political life.

Chen Yuan was promoted from deputy secretary to secretary of Xicheng District Party Committee in 1983 when he also became a member of the Standing Committee of the Beijing Municipal Party Committee.

During his tenure in the Xicheng District, the impression he left on his colleagues and subordinates was that he tried to project the image of an "easy-going and friendly" man and did not want people to associate his position with his family background. But because by nature he was reticent and rather serious, most people still felt a little unease working with him.

Chen Yuan resembles his father in appearance, and even his bearing and posture are just as steady and solemn. Adding that he became bald at a fairly young age, he looks older than he really is.

In the summer of 1983, a young worker in the Xicheng District CPC Committee Party School died of wounds suffered on the job. According to relevant regulations in effect at the time, the deceased's family could only get a little over 1,000 yuan in compensation. Upon hearing that, Chen Yuan said, "It is not easy for two old people to bring up a child. They deserve a more reasonable compensation."

Because of Chen Yuan's written comments, the Party School received 6,000 yuan for the unfortunate incident, and a lump-sum of more than 4,000 yuan was paid out to the family of the deceased.

Since the family of the deceased was from Beijing Municipality's lowest stratum and was in no way related to Chen Yuan, his handling of this matter left his subordinates with a very good impression of him as an "humanitarian."

During his tenure in the Xicheng District, Chen Yuan might have been assigned to take charge of "party affairs," but his energy was focused on formulating a Xicheng District economic development strategy. He even organized an economic study society.

His greatest accomplishment while working in the Xicheng District was his bold move to rebuild Beijing's famous Xidan Commercial Street. His plans were to build several modern business and trade enterprises there. The Huawei Building completed after "June 4" is one of them.

Ironically, the entire Xidan commercial district reconstruction area became the "ammunition base" where Beijing's citizens resisted the CPC army's savage crackdown on the night of "June 4." The angry citizens demolished the fence around the construction site, and cartloads of bricks and wooden boards and other construction materials were brought to Chang'an Street West to block the curfew-enforcement units from entering the city.

In 1984, Chen Yuan was transferred to Beijing Municipality to act as minister of commerce as well as vice chairman of Beijing Municipality's Committee on Restructuring the Economic System. That committee was chaired by Chen Xitong [7115 1585 0681, mayor of Beijing, and of course much of the actual work fell on Chen Yuan's shoulders.

During this period, Chen Yuan brought a group of young theoreticians together and formed the Beijing Young Economists' Association. They studied basic Chinese economic theories and policies, prepared a report on the study and planning of Beijing's developmental strategies, and were responsible for a key project on the state's Seventh Five-Year Plan entitled "A Study of the Workings of China's Socialist Economics."

The Five Chen Siblings "Shared Different Revolutionary Tasks"

Although it was rumored that Chen Yun had vigorously urged that the important task of "keeping the country red from generation to generation" be delegated to the "army of children," of his five children, only Chen Yuan is enthusiastic about a political career. He has an older sister, who in recent years has been working in the area of technological development and leads a private life. Chen also has a younger brother and two younger sisters. In 1980, his brother was offered a scholarship from an American university, but after receiving the notice, Chen Yun would not allow his son to go abroad. He eventually stayed behind and became an ordinary cadre in Beijing.

Someone jokingly said that the reason Chen Yun would not let his younger son study in the United States was to prevent the spread of "bourgeois liberalization." Strangely enough, Chen Yuan's youngest sister Chen Weili [7115 5898 5461] received her degree in economics from California's Stanford University in 1984.

After spending several years making money in the United States, Chen Weili returned to Beijing and, together with her partners, "raised" more than 27 million yuan in loan funds from the government and the State Science and

Technology Commission to start China Venturetech Investment Corp. That company may have a fine-sounding name of a "high-tech investment" company, but its internal organization is a mystery, and few people know anything about it.

Younger Sister Chen Weihua Is Determined Not To Join the "Party of Princes"

When Chen Yuan's younger sister Chen Weihua was a student at Beijing Normal University, she seldom associated with the other students. Since she did not usually live on campus, her classmates hardly knew her at all. Qiu Huizuo's [6726 2585 0155] daughter, on the other hand, was also studying History at Beijing Normal University, and she lived on campus most of the time and was very close to her classmates.

On the eve of the trial of the Gang of Four, Qiu's daughter made an exception and did not watch TV with her classmates as she normally would, but Chen Weihua also made an exception and showed up on campus. Their classmates said, "This is known as 'what saddens one's own people gladdens one's enemies.'"

Among the five Chen brothers and sisters, Chen Weihua's life experience has been the most turbulent. During the Cultural Revolution, she was caught in the "countryside and mountain areas" movement. She was assigned to a production brigade in a Beijing suburb to be "re-educated" by poor and lower-middle class peasants. At that time, because her father had not made a comeback yet, she became the target of even greater discrimination in the countryside. The young brigade leader was very sympathetic and often took special care of her. Chen Weihua ended up marrying him.

In 1975, soon after Chen Yun was elected deputy chairman of the 4th NPC Standing Committee, Chen Weihua was also "selected" to be transferred back to the city. In 1977, she passed her college entrance exam.

Since the production brigade leader was inferior in terms of family background and educational standard and so on, after Chen Weihua returned to the city, it was expected that the marriage would not last.

Chen's classmates told the authors that no matter what, Mr. and Mrs. Chen Yun still felt deeply indebted to this young peasant. Yu Ruomu invited him to Beijing and personally accompanied her daughter to meet him at Yongdingmen Train Station. When this overly-unsophisticated young man saw that the Hongqi automobile that had come to meet him was even bigger than the tractor down in the farm, he refused to get in no matter what. He excused himself to go to the washroom and bought a return ticket home.

Later, the CPC Central Committee's General Office sent someone to the countryside and did this young man some personal favors. Reportedly, Chen Yun's family gave the young man and his parents some money to build several large tile-roofed houses. The in-law relationship between the two families soon came to a natural end.

A distinctive characteristic of Chen Weihua is her simple taste in clothes. Her classmates said that any girl from the countryside is more fashionably-clad. Except for that, her classmates have more criticisms than compliments for her. This is mainly because she was pregnant when she was a student but was not held back a year despite her maternity leave. At that time, it was a typical manifestation of the "favoritism shown toward the children of high-ranking cadres."

Another "favoritism" extended toward Chen Weihua had to do with her graduation thesis. It was on the history of the CPC. She had gone to the department and asked the secretary to write a letter to the CPC Central Committee Archives and other key departments to let her do research there. The department secretary was too intimidated to write anything when he saw the list and immediately sought instructions from the higher-ups.

In early 1981 when Chen Weihua graduated from college, some of her classmates were assigned to teach in the middle schools, but she was assigned to the State Labor and Personnel Department. Her classmates were quite critical about that too.

In 1984, Chen Weihua was personally called upon by the CPC Organization Department and transferred to the Ministry of Radio and Television as a member of the Party Consolidation Group. It was usual practice for members of the Party Consolidation Group to remain in the unit they were assigned to after completing their work to "reinforce the leading group." In a surprise move, after completing her work, Chen turned down the Party's favor and insisted on being transferred back to her alma mater as an ordinary history teacher in the Experimental Middle School.

Although Beijing Normal University's leaders later promoted her to vice principal, Chen Weihua never took an interest in school affairs and chose to continue to teach history and took care of her class.

Chen Weihua's every move was noticed and applauded by Beijing's wide circle of intellectuals. Because media report quoted Chen as saying that she had sought her father's wholehearted support in every choice she made, Chen Yun also received high marks from the masses.

But even more people have not forgiven his son's sudden rise in the political arena despite his daughter's refusal to become a ranking official.

Setback in Officialdom—Losing the Election

Beijing Municipality held its 6th Party Congress on 13 Dec 1987. Prior to that, the CPC Organization Department and Beijing Municipal Party Committee had named Chen Yuan a candidate for deputy secretary of the municipal party committee. To get the job, he first had to be elected member of the Beijing Municipal Party Committee.

Since the 13th National Party Congress held at the end of October 1987 had for the first time implemented the systems of secret ballot and "election with more candidates than positions" when electing party committee members, Beijing Municipality had to adopt the method for its

local elections of party representatives. First, the more than 700 party representatives would elect 50 out of 55 candidates to be Beijing Municipal Party Committee members, then out of the 50 elected members, 11 members of the Standing Committee would be elected out of a slate of 15 candidates (there were 15 members of the Standing Committee in the previous session of the Beijing Municipal Party Committee.)

Chen Yuan had to win both elections before he could become deputy secretary through the Standing Committee's "internal assignment" based on "organizational needs."

According to a staff member of the Beijing Municipal Party Committee, Chen Haosu [7115 8504 5685], (Chen Yi's [7115 3015] son) who was Beijing's deputy mayor at the time, and Bo Xicheng [5631 3556 2052] (Bo Yibo's [5631 0001 3134] son,) director of Beijing's Tourism Administration, were aware of the resentment toward the "Party of Princes" within and without the party and in society in general and wisely decided not to put their names on the Beijing Municipal Party Committee candidate slate. When Chen Xitong analyzed the situation at that time, he was afraid that Chen Yuan might lose the election and tactfully told him about Chen Haosu and Bo Xicheng's decisions. But Chen Yuan expressed confidence in his own election.

The NEW YORK TIMES carried a special report on 18 Dec 1990 saying, "Prior to the election, then Communist Party leader, Zhao Ziyang, was afraid that if Chen Yuan should lose the election, his powerful father would be very angry, and so he sent someone to ask if the younger Chen needed help. Chen Yuan said with confidence that defeat would be impossible. But he turned out to be one of the five losing candidates."

Losing this election no doubt was a great blow to Chen's political ambition. Subsequently, an acquaintance advised him that rather than treading water in the political sea he would be better off to start some business of his own or simply do what other children of high-ranking cadres do and make money for himself.

Chen Yuan refused to take this kind-hearted person's advice, saying that, first, he had his mind set on it, and second, the election was rigged.

The NEW YORK TIMES report had the following comment: "In fact Chen Yuan's losing the election was not his fault. It was because the voters did not look upon his father favorably and resented the phenomenon of widespread promotion of the children of party elders to high positions, and so they took it out on Chen."

Actually, that election indeed was less than fair, because regardless of Chen Yuan's political accomplishment or lack of it, he was much more reputable than Xu Weicheng [1776 1919 6134] who made a name for himself during the Cultural Revolution and who cooked up the notorious "Huang Shuai Incident." Xu actually won a Beijing Municipal Party Committee seat by majority vote and

went on to defeat his opponents in the Standing Committee and was reappointed deputy secretary.

The Loser Gains in Status

After losing the election, and with Zhao Ziyang's help, an order from the Organization Department made Chen Yuan vice president of People's Bank of China. The excuse was to "put his talents to proper use."

Since the CPC implemented reform and opening up, one by one, China has opened the Construction Bank, Agricultural Bank, Communications Bank, Insurance Corporation, and other financial institutions. Meanwhile, People's Bank has gradually been turned into the highest management and decision-making institution dealing with the nation's financial affairs and has become purely a state administrative unit.

Since all business headquarters (corporations) under its jurisdiction and all directly-subordinate state exchange control administrations are sub-ministry units, in terms of administrative rank, People's Bank in fact has above-ministry rank.

Although Chen Yuan was not elected Beijing Municipal Party Committee's deputy secretary, he had been a member of the Standing Committee prior to the election, and according to relevant CPC organizational regulations, members of the standing committees of provincial, municipal, and autonomous regional party committees have sub-provincial (ministries of the State Council) administrative rank, and therefore he had already attained vice minister status in Beijing Municipality. Upon his transfer to People's Bank as vice president, some foreign reports said that the CPC Central Committee's Organization Department had given him ministry-level administrative rank.

According to relevant CPC regulations, the heads of such organs as the State Planning Commission and State Education Commission have vice premier (State Councillor) status, and the first three deputy heads have the same rank as ministers. For example, He Dongcheng [0149 2639 2490], deputy minister of the State Education Commission, has been identified to be a minister-rank cadre. The former president of People's Bank is Chen Muhua [7115 1970 5478], current vice chairman of the Standing Committee of the National People's Congress, and the current president is State Councillor Li Guixian 2621 6311 7639[.]. Inferring from the above examples, the first three People's Bank vice presidents should also have the administrative rank of a minister. However, among the bank's vice presidents, Chen Yuan is listed behind Liu Hongru [0491 7703 0320, Qiu Qing [6726 2532], Tong Zengyin [4547 6362 6892], and Zhou Zhengqing [0719 2973 1987], and so he may only still have vice minister rank. But no matter what, his real status is but a step away from the CPC supreme power core.

The NEW YORK TIMES report said, "In China's political arena, elections, even like those held by the CPC 13th National Party Congress and Beijing's Sixth Party Congress which are by no means fair, are rare. But Deng Liqun

and Chen Yuan actually lost such a rare election, one that by no means reflected the voters' wishes, which only shows how unpopular the two are in China's political circles. But the fact that these two losers are making a comeback to the political arena and are wielding considerable power after the 'June 4' crackdown is evidence of how China's hardline government moves against the current."

The People's Bank's duties include the following: It is responsible for formulating the guiding principles and policies for the nation's financial undertakings which will be put into effect after submitting to the State Council for approval. It drafts financial rules and regulations, draws up basic charter for banking businesses, and is in charge of currency issuance and regulating currency circulation. It sets deposit and loan rates and determines the RMB to foreign currency exchange rates. It formulates the state's credit plans and centralizes the management of credit funds. It regulates foreign exchange and gold and silver prices and manages the state's foreign exchange reserve and gold and silver reserve. It is responsible for financial administration and management and leads, manages, coordinates, supervises, and audits the business affairs of the specialized banks and other financial institutions. It manages the State Treasury and issues bonds on behalf of the government. It manages enterprise stock and bonds and other negotiable securities as well as the stock market. It represents the government in participating in relevant international financial activities.

The importance of Chen Yuan's position is evident.

The NEW YORK TIMES report emphasized that "because Chen Yuan has emerged as a key figure in formulating China's economic policy, he is of great interest to and has caught the attention of foreign investors."

Chen Yuan's "Reform Pragmatist School" of Economic Theory

Back in the summer of 1987, Chen Yuan personally invited more than a hundred economic experts to attend a symposium entitled "Interim Report On the Socialist Economic Operating Mechanisms" in Beijing's Pinggu County. It was the "premiere" of the new Chen Yuan economic theory.

Chen Yuan summed up his own viewpoints as a "Tight Operation Theory." He believed that this was the basic characteristic of the primary phase of China's socialist economic operation. Chen Yuan suggested that the basic conflict in a socialist economy was the conflict between the increasingly inflated social demands and the limited resources, which was the cause of "shortages" manifested as excess demand over supply. Under socialist conditions, although there could be surpluses in some areas, they were not the result of disinflated demands but another indication of a more serious kind of shortage resulting from excess demand of a structural nature. If this kind of tight operation was allowed to develop freely, it would lead to serious consequences.

Chen Yuan also offered the following remedy: Strengthen planning and tighten regulation and control. He suggested that this kind of shortage in fact indicated that China's

productive forces were underdeveloped and its production had not been fully socialized, and more planning was needed to remedy these extrinsic defects. Using state plans to guide the process of socio-economic development and enterprise development in accordance with the needs of overall economic development and the need to make full use of the resources was in essence the intrinsic demand of socialized production and not the result of an administered economic system. A structured economy demands everything to be in proper proportion, and proportion is the quantitative expression of structure.

In his opinion, the function of "market" mechanisms referred to in the restructuring of the economic system was a way to remedy the flaws of planning.

Afterwards, someone in the mainland wrote an article lavishing praises on Chen, saying that his economic theory had forecasted three things proven true in subsequent economic development: One, an overheated economy would necessarily cause inflation; two, failure to readjust the economic structure would bring chaos; three, failure to solve the problems of diversification of profit would give rise to market separatism, conflict between central and local governments, and unfair distribution.

At the end of 1990, Chen Yuan organized another economic forum in Beijing. Many economists, including Li Yining [0536 0110 1380], Dong Fureng [5116 6534 4356], and Wang Da [3769 6671], attended. The forum mainly discussed one of Chen Yuan's thesis entitled "China's Deep-seated Economic Problems and Choices—Several Questions On the Pattern of China's Economic Development and Operating Mechanisms (Outline)."

The article was divided into four parts: One: Go Forward Toward Revitalization Or Go Backward Toward Disintegration? Two: The Solution Lies In Strengthening Macroeconomic Control, Strengthening the Market, and Recreating the Modern Centralized Economy. Three: Restructuring the Interest Pattern Is Essential. Four: Resource Constraints Give Rise To Demand Constraints; Develop the Market With the Support of Planning.

In the article, Chen Yuan suggested that "after a decade of reform, the economic system has evolved into one which is regulated and controlled by administrative power and capital power, one which is increasingly monetarized. It can be called a 'dual power economy.' It is characterized by waning administrative power and the increasingly bigger role of the power of capital. With unduly-large local interests, the characteristics of the 'economy of local princes' have also emerged."

"The kind of economic development concept which is centered around handing down more power to the lower levels without regard for macroeconomic coordination will inevitably cut the national economy into numerous small pieces, robbing the state of its gravitational force. Unhealthy demands will continue to undermine the resource constraints, erode our accumulation, clean out the central government coffer, cause the state to lose its centrifugal force, and take the country from economic ruins to socio-political disintegration. Even a modern

capitalist nation cannot stand this kind of total disintegration, let alone a strong centralized socialist nation."

These two passages show that, from theory to practice, Chen Yuan has completely refuted the accomplishments of Deng Xiaoping's 10 year reform and opening up.

Not only that, but in his article Chen Yuan confirmed in vague terms but refuted in concrete terms the results of "rectification and improvement" which the Li Peng government took great pride in over the last 2 years. He said, "Recent rectification and improvement has achieved undisputed success in stabilizing the economy and society. But it has failed to resolve the deep-seated conflicts which have built up over the years. It should be pointed out in particular that there is still no consensus among the people regarding this issue." He also said that rectification and improvement had only relatively eased the "aggregate inflation" problem in China brought by the 10-year reform, "but the institutional base for controlling the aggregate inflation has not been developed, and there has been no fundamental change in the mechanisms which continuously 'reproduce' double—investment and consumption—inflation, and the structural conflicts are still very acute." He said this had caused "further decline in the share of the central government's revenues as a percentage of the national income, resulting in imminent danger of further economic chaos and ruin."

In the article, Chen Yuan criticized the Deng Xiaoping-directed reform line of the last 10 years for being a "complete departure from China's realities," for being "impractical and too eager for quick success and instant profit," and for neglecting and even rejecting the need for centralization in pursuit of absolute decentralization. He said that in the decade-old reform, "the power to regulate and control society's total demand which should have been tightly held by the central government has been handed down to the lower levels. We can even say that social demand today is in a state of anarchy," and "if the current structural conflicts are not resolved in a timely fashion, it will upset the overall balance again, and the bloated profit-making entities will further solidify the already-mishapened profit distribution pattern and give impetus to expanding the already over-expanded processing industry and force the central government to make further financial, taxation, credit, and price concessions, causing the excess demand to get out of hand. This kind of macroeconomic collapse can spread from investment, finance, and taxation to banking, prices, and foreign exchange. In fact this process has already begun step by step, although few people realize it yet."

In Chen Yuan's opinion, the 10-year reform has fostered a sense of "recklessness" in local economic development. So far as China's overall economic structure is concerned, "the greater the sense of recklessness, the more damaging it gets." "But to think that only enterprises and localities can develop their productive forces and overlook the central government's unique function only reflect the narrow concept of a decentralized small-scale peasant economy

which has already been proven wrong by the success of a new generation of industrialized nations and which is primitive and outdated."

Overall, Chen Yuan's article gave people the impression that because of the above-described mistakes, Mainland China's economic situation had reached the point of imminent disaster if not corrected immediately. It somehow reminded people of Hua Guofeng's words during the crackdown of the Gang of Four in 1976: Because of the damage done by the Gang of Four, the national economy is on the brink of collapse.

Thus, in his article, Chen Yuan cried out to the country saying, "We should realize sobermindedly that it is impossible for China to increase the per capita ownership of resources anytime soon. This fundamental fact mandates that China's economy must make direct planning its mainstay, indirect regulation and control its guide, and market activities its structure." "In order to quickly halt the move toward a decentralized 'small-scale peasant economy,' the most basic step is to vigorously increase the central government's real power and strength and rebuild the macroeconomic regulation and control system" and "conduct a new round of centralization."

This article was a comprehensive expression of Chen Yuan's economic theories. Soon after it appeared, it was reprinted and circulated among high-level CPC officials.

It is noteworthy that after the article came out, RENMIN RIBAO, GUANGMING RIBAO, and JINGJI RIBAO said nothing. Instead, it was printed in its entirety in ZHONGGUO QINGNIAN BAO on 2 Jan 1991 in the "Pioneer" column.

When ZHONGGUO QINGNIAN BAO published the article, it noted that "this article is a thesis presented by Comrade Chen Yuan at a symposium. The text is 15,000-word long; this article has been edited." But checking with the original, there were only two minor omissions: One, the statement that "the public ownership system is a fundamental rejection of the system of private ownership of capital goods." The other has to do with the definition of "citizen-operated assets." According to the original text, "citizen-operated assets" refer to assets created by investments made by individuals (including foreign citizens.) In other words, it is private ownership."

If one joins the two passages together and analyze them, one might wonder if Chen Yuan's economic policies were put into effect, would there be another round of "crackdown on the landlords and dividing up the farmland" and another movement of "nationalization" of foreign assets in China? Someone in the mainland reasoned that the omission of these two key passages might have stemmed from two considerations: First, Chen Yuan who had just began to wield power was unwilling to make enemies openly. Second, it was to avoid upsetting the private business-owners at home and scaring away foreign investors in China.

In April 1991, that article was again reprinted in mainland's JINGJI YANJIU, an authoritative economic

journal. In May key passages were published in the "Reform and Opening Up Forum" in the CPC magazine, QIUSHI, under the title "Stepping Up Macroeconomic Regulation and Control Is a Prerequisite for Thorough Reform."

According to ZHONGTONG SHE, a CPC news agency in Hong Kong, Chen Yuan's article has attracted widespread attention in economics circles. Many people agree with his viewpoints.

He Xin [0149 2450] Is a Likely Recruit for Chen Yuan's "Talent Scout"

Rumor from the mainland says that He Xin has been actively courting the Party of Princes, earnestly hoping that someone would recruit him as an aide and provide the strong backing he needs in the days to come.

Of course it is not easy to verify such news, but the authors recently came across an article on economic theory by He Xin published for "internal reference" and found it to be full of "Chen Yuan thoughts."

In Chen Yuan's opinion, "Since the early 1980s, major Western capitalist nations have experienced balanced economic growth and accelerated technological progress. They have deliberately attributed it all to their free market economy. Meanwhile, the socialist nations' reform and development have stalled, which further convince some people that by relying completely on the free market economy they will solve all their problems. Thus, under internal and external pressure, theories and practices that attempt to replace planning with the market are being developed. The consequences are well-known to all."

In He Xin article, he said that in the 12 continuous years of restructuring of the economic system in China, the years 1985 to 1988 marked a period of "errors." During that period, "this country's reform direction and policies were momentarily misguided by certain Western economic theories, and so in terms of economic goals, there was the tendency to make all-out free market the goal." "As a result of these policies, at the macro level, the state at one time deliberately lifted macroeconomic control, leading to chaos in some areas. Vigorous implementation of expansionary fiscal, monetary, and credit policies also led to mounting domestic and foreign debts, startling deficits, and runaway inflation."

He Xin's article is very long, and we cannot go over the content in detail here. But from the above example alone, one can detect a hint of tacit agreement between He Xin and Chen Yuan's economic viewpoints.

Coming Up With the Successor's New Political Program

After the Soviet coup collapsed in August 1991, the CPC Central Committee asked all subordinate departments in charge of theory studies to come up with their study reports as soon as possible. "To comprehensively analyze and explore China's future on the political, economic, military, and diplomatic planes and from the point of theoretical guiding ideologies" is to ask the question, "how long will this red flag stand?"

Thereupon, according to news from Beijing, Chen Yuan immediately ordered his own theoretical troupe (headed by ZHONGGUO QINGNIAN BAO's Ideology and Theory Department) to beat everyone else in coming up with a "programmatic document to guide our future theories and practices." It took only half a month from the time a series of symposia were held to the time a 14,000-word document was produced. On 9 Sep, the end-product entitled "China's Realistic Choices of Countermeasures and Strategies After the Soviet Coup" was delivered in the name of the "ZHONGGUO QINGNIAN BAO Ideological and Theory Department Collectively" and was reprinted by the CPC General Office into an internal document for circulation among high-level officials.

Based on the fact that ZHONGGUO QINGNIAN BAO's "Choices" ("China's Realistic Choices of Countermeasures and Strategies After the Soviet Coup") and Chen Yuan's "Choices" ("China's Deep-seated Economic Problems and Choices") are similar in content and the fact that Chen Yuan's signed article was published only in ZHONGGUO QINGNIAN BAO's theory page, Beijing's news is apparently credible.

Furthermore, news from Beijing also said that when ZHONGGUO QINGNIAN BAO's Ideology and Theory Department beat out everyone in producing its article, Deng Xiaoping's "Huangfu Ping" work had only just begun. Hu Qiaomu [5170 0829 2606] and Deng Liqun and other Zuowang [literally, Left Princes] group of writers were still fighting like cats and dogs and had only begun to "seek unity of thinking." Chen's theory group owed its lightening speed to a young theoretician named Jiang Hong [1203 3163] who rose to fame along with Wang Juntao [3769 6511 3447] and Chen Ziming [7115 1311 2494] back in the days of the Xidan Democracy Wall. Today, Jiang is one of the editors in charge of ZHONGGUO QINGNIAN BAO's ideology and theory department.

Although this piece of news has yet to be confirmed, it is well-known in Beijing's circle of young thinkers and theorists that Jiang Hong had pledged loyalty to the Party of Princes headed by Chen Yuan even before "June 4."

MINZHU ZHONGGUO's current editor-in-chief, Mr. Chen Kuide [7115 1345 1795], wrote the article "New Policy of a Doomsday Dynasty" and made a concrete and thorough analysis of "Choices."

According to Chen Kuide, in "Choices," the "Party of Princes" has in fact formulated the following basic plans for China after they take over:

1. Substitute nationalism for socialism;
2. Substitute right-wing autocracy for left-wing totalitarianism;
3. Substitute geopolitical principles for ideological principles;
4. Substitute a realist ruling party bent on protecting its power monopoly for the romantic revolutionary party with its populace overtone;
5. Substitute the party's ownership system for the state ownership system, and
6. Substitute reinforced centralization for the trend toward localism.

Mr. Chen Kuide said, "Despite all these, as far as Chinese politics is concerned, this political platform is not conveying anything negative. It signals the gradually waning role of ideologies in Chinese society; it signifies the beginning of political pluralization at the upper level, and in particular, it marks the beginning of the late gerontic political era. For these reasons, people have a right to be cautiously optimistic."

Selling His Ideas Abroad in Quest of Support

On 18 November 1991, Hong Kong's SOUTH CHINA MORNING POST reported that Chen Yuan and Deng Liqun's son Deng Yingtao met with the so called "counter-revolutionaries" of dissident organizations during their visits to the United States and Europe this past year. Chen Yuan assured the dissidents that after the CPC founding members and leaders passed away, the CPC's policies would change. He also hinted strongly that in the post-Deng Xiaoping era, he would play an important role, and at that time, he would make good use of the dissidents' talents.

The authors have learned from reliable sources that Deng Yingtao never set foot in the United States in the period from "June 4" to the end of 1991. He was on "official business" in Australia once. It is not known whether he met with "dissidents" while there.

Meanwhile, in August 1990 and October 1991, Chen Yuan was invited by the United States' Ford Foundation and the British government respectively to visit those two countries.

While in the United States, besides attending meetings in New York, Chen Yuan made a special trip to Boston and gave an informal lecture at Harvard University's Kennedy School of Government.

After the lecture, Chen Yuan did meet with several "dissidents." But at this time, these dissidents are unwilling to talk about the meeting.

Reportedly, during his visit to the United States, Chen Yuan received several visiting scholar invitations from well-known universities, including Harvard, but Chen Yuan tactfully turned them down.

During his 8-day visit to Great Britain, Chen Yuan spoke publically about the stable prices and trade surplus in China today and also about the expectation of even greater developments in the next 5 years.

Those who attended the gathering comment that when Chen Yuan spoke, he seemed full of aspirations and appeared high-spirited and vigorous, as if he was suggesting that he had reached the flat stretch and it would be an easy trot for him from now on in China's political racecourse.

Calling For a Reassessment of "June 4"

Reports from Beijing said that at a forum of intellectuals convened in Beijing in the latter half of 1991, Chen Yuan delivered a speech that "shocked" everybody. He said that the "June 4" incident must have the support of the masses, that "June 4" should not be completely redressed, and

intellectuals who belonged to the Deng Xiaoping school of thinking, such as Yan Jiaqi [0917 1367 0366] and other, must be separated from the masses of other intellectuals. He said that Zhao Ziyang once said, "corruption is an inevitable phenomenon," but that was not Zhao's idea but Deng's idea. He said that bribery and corruption began with the 10-year reform and opening up and the people who are against the corrupt officials are against the reform itself. He said Deng Xiaoping's decision to use the army in the crackdown was a last resort, that he was forced into it by the old revolutionaries; otherwise he would have lost everything, but that he also pulled a political stratagem and sold out the intellectuals who were devoted to him, and he also used the Yang-family army and later promoted more than 130 people in garrisons around the country—people who had rendered meritorious services during "June 4." He said that Deng Xiaoping wanted to use that to salvage his failing political and ideological lines.

Reportedly, Chen Yuan's speech had his father's prior approval. Chen Yun may be a party conservative, but he was against the "June 4" crackdown, and he also had criticized Deng Xiaoping's decision to shoot and kill.

If all these turn out to be true, what it says is that the disagreement between Deng Xiaoping and Chen Yun has turned white-hot, and Chen Yuan is "doing battle for his father."

Ideological Similarities and Differences Between Chen Yuan and Chen Yun

A lot of people in the mainland may admire "Chen Yuan thoughts," but some young and middle-aged economic researchers are not impressed. They think that Chen Yuan's economic theories and Chen Yun's ideas on economic planning are cut from the same cloth. This is so called "the son learns from the father and carries on the family line." There is nothing new.

As one of the first-generation, high-ranking CPC leaders, Chen Yun was well-known as an economic planning expert. Back in the 1950s and 60s, and even in the early 1980s, three times, he played a decisive role in making economic decisions with national impact. Briefly speaking, Chen Yuan's economic viewpoints can be summed into three aspects:

1. The theory of "unified planning and arrangement and maintaining overall balance." This can be summed into one sentence and four words: "Socialist production is socialized great production, and therefore the economy must maintain proper proportion according to plan" and "the four big balances" (financial balance, credit balance, resource balance, and foreign exchange balance.)

2. The idea of setting priorities and proceeding slowly in an orderly fashion: This means life comes before production; production comes before construction; arrange for simple reproduction before expanded reproduction; arrange for intensive expanded reproduction before extensive expanded reproduction.

3. The idea of integrating the planned economy and market regulations: This means "economic planning is primary and market regulation is supplementary."

When reform and opening up first began, Chen Yun warned that "to enliven the economy is to do so under the guidance of planning and not in the absence of plans. This is the same relationship as that between the bird and the cage. One cannot hold the bird in one's hand, or it will die. It must be set free, but only inside the cage. Without the cage, the bird will fly away. If the bird is likened to enlivening the economy, then the cage is state planning. In other words, to enliven the economy, market regulation can only be given a role within the limits set by state plans and cannot be allowed to depart from the guideline."

Because of this famous passage, Chen Yun's economic concept has been nicknamed "bird-cage economic thought" both at home and abroad.

If we make a detailed comparison, Chen Yuan's theory indeed is the sublimation of Chen Yun's ideas. The biggest similarity between the two is that their emphases on "economic planning" are based on their criticism of the "overheated economy." The father resisted the "leftist putschism" of the Mao Zedong era, and the son opposes the "rightist putschism" of the Deng Xiaoping era.

The difference between the two lies in that on the question of "market regulation," Chen Yun was against the "overly-rigid control" in the 1960's, and Chen Yuan resists "too much decontrol" in the 1990s.

If there are any more differences between the two, it will be Chen Yun's attempt to prove the "rationality" of his ideas on the premise that "China (because it has a socialist system led by the Communist Party) must give priority to

economic planning." Chen Yuan on the other hand tried to prove the "inevitability" of his ideas from the vantage point that "China (because its resource constraints have led to demand constraints) can only work with the public ownership system."

It is for this last reason that although both draw the same conclusions in essence, Chen Yuan's perspective is more easily accepted by the people.

Follow No Precedence, Read No Books, "Practicality" Comes First

When Chen Yun was in charge of the economic tasks of the CPC regime, he always boasted that his guiding work ideology was "follow no precedence, read no books, practicality comes first." After Chen Yuan entered China's political arena, Chen Yun often spurs him on with these nine words.

In fact, when it comes to economics, Chen Yuan has refuted the "radical" reform outlook which Deng Xiaoping supports, and politically, he is against continuing the ossified Marxist-Leninist ideological education. He too can be said to "follow no precedence." With regard to theories, Chen Yuan focuses on criticizing the tendency to worship and copy the Western mold and can be said to "read no books." As for "practicality comes first," Chen Yuan regards his own theories and experiences as the most practical and the best, and some theoreticians at home have also given high marks to his kind of classic pragmatism which the CPC's "Third Force" abides by. The problem is, his "practicality" is built on the foundation of protecting the centralized state power and does not make giving priority to the national economy and the people's livelihood his starting point.

NATIONAL AFFAIRS, POLICY

Experts Surveyed on 2-Year Economic Performance

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[Analytical report on questions asked in a second survey of experts on the 1991-1992 economic situation by the State Council Research Office's Work Report Group, the State Restructuring of the Economic System Commission's Macroeconomic Regulation and Control System Department, and *GUANLI SHIJIE*'s China Enterprise Evaluation Center: "An Assessment of the Macroeconomic Situation in 1991, With Predictions and Policy Recommendations for 1992"]

[Text] Having reversed the consumption slump and economic decline of 1990, the national economy grew steadily in 1991. The estimated growth in 1991 was over 13 percent for industrial output (including independently accounted industrial enterprises at the township level and above), over 15 percent for fixed assets investment, 12-13 percent for retail commodity sales, 6.2 percent for exports, and 17.0 percent for imports. While all sectors of the national economy maintained a fair rate of growth, long-accumulated economic problems still prevented a clear improvement in the economic efficiency of enterprises, large and medium-size state-owned enterprises in particular, which has left us facing more and greater state revenue problems and difficulties. These problems were our point of departure in evaluating 1991's macroeconomic situation and the state of overall economic demand in particular. The current issue in urgent need of consideration by the government's macroeconomic regulation and control sector is how to correctly draw up macroeconomic regulation and control policies and economic reform plans for 1992.

In order to further analyze these problems and find a more valuable reference basis, we have used the Delfey [De-fer-fei 1795 1422 5481] experts survey method, and have organized and completed in a timely manner the job of handing out, collecting, and processing the questionnaires from the second 1991 survey of experts on the economic situation.

This survey questionnaire was characterized as follows: 1) It was wide in scope, including the 30 provinces and municipalities throughout the country, the 14 plan-list cities, and all central ministries and commissions. 2) It surveyed high-level experts, including senior officials in government operating departments and professional scholars in scientific research institutions, with 17 percent of returned questionnaires coming from experts at the vice ministerial level and above, and 83 percent coming from department and bureau level experts and specialist professors. 3) It had a high questionnaire return rate of 71 percent.

An Assessment and Analysis of China's Macroeconomic Situation in 1991

1. The Basic Assessment: A Rough Balance Between Supply and Demand

In analyzing and evaluating 1991's economic situation, high-level experts from all central and local sectors noted that the basic indicator of China's objective economic situation was a rough balance between supply and demand.

In assessing the basic state of overall supply and demand in China's macroeconomic situation in 1991, most experts, or 51.4 percent, were of the view that there was a rough balance between supply and demand, 37.1 percent responded that demand was inadequate and supply was still greater than demand, and a minority held dissenting views, with 4.3 percent responding that supplies were still inadequate and 7.1 percent not expressing a clear opinion.

The major rationale for the view that there was a rough balance between supply and demand was that the scope of investment was roughly appropriate, while consumer markets had basically returned to normal. Investment and consumption were the two basic focuses of attention in assessing the state of overall supply and demand. In this regard, 65.7 of the experts responded that the estimated 1991 fixed assets investment scale for the whole country of 510-520 billion yuan (for a growth rate of about 15 percent) was roughly appropriate, while only 31.4 percent responded that this was still too large. As to domestic consumer markets, 77.1 percent of the experts responded that our estimated 1991 retail commodity sales of about 930 billion yuan (for a growth rate of 12-13 percent) showed that China's domestic consumer markets had basically returned to normal. While domestic markets are still experiencing many problems, such as consumer markets having structural weaknesses, rural markets still not being brisk, group purchasing power remaining too strong, and overstocked commercial inventories not yet having been basically cleared out, it is unrealistic to expect such structural conflicts that have accumulated over many years to be basically resolved in the short term. Only 20 percent of the experts responded that domestic consumer demand was still inadequate. As to overseas demand, i.e., our international trade situation, the experts gave a more positive evaluation, with 87.1 percent responding that China's 1991 foreign trade situation was improved or very good, and only 12.9 percent responding that it was still only mediocre.

In addition, the situation of enterprise work stoppages and semi-shutdowns has improved, and economic efficiency has been raised somewhat. While 75.7 percent of the experts responded that along with the steady implementation of the various macroeconomic regulation and control measures put into effect by the state, the glaring problem of enterprise work stoppages and semi-shutdowns that appeared in 1990 has been somewhat alleviated, 18.6 percent responded that they were quite worried about this problem and that it was still a very glaring one.

The results of this survey constituted the basic elements of our assessment of 1991's economic situation.

2. Difficulties and Problems

While fully affirming the positive factors in our economic growth, the experts also pointed out the following potential problems or adverse conditions for future growth:

A. Our industrial production growth rate was too high. As many as 80.0 percent of the experts responded that our 1991 industrial production growth rate was too high, symptoms of overheating have already appeared in our economic operations, and this phenomenon warrants vigilance. Central department experts were even more concerned about this problem, with 83.3 percent of them pointing it out. While 20 percent of the experts responded that our 1991 industrial growth rate was roughly normal, this percentage was higher, or 36.4 percent, among ministerial-level experts, and slightly lower, or 16.9 percent, among bureau-level ones.

B. China's existing economic structure was still irrational. As to the evaluation of our economic structure, 78.6 percent of the experts responded that three years of improvement and rectification had brought only limited change in the process of converting China's economic structure to a more rational one, 12.9 percent even responded that it had brought no change at all, while only 7.1 percent responded that it had brought great change. As 1991 was the Year of Quality, Variety, and Efficiency had a bearing on the adjustment of the economic structure, 80 percent of the experts responded that only mediocre results had been achieved. In order to speed up the adjustment of the economic structure, the concerned parties should pay full attention to conscientiously including adjustment of the industrial structure in their future macroeconomic regulation and control agendas. Of course, in order for it to achieve real results, structural adjustment must be organically combined with the deepening of economic reform;

C. Poor economic efficiency caused fiscal difficulties. Agricultural disaster relief and the clearing up of triangular debts in 1991 turned our fiscal difficulties into a very glaring problem. We had 3 consecutive months of fiscal deficits in June, July, and August, a first-half deficit in 1991 for the first time since we began to reform, and our estimated 1991 fiscal deficit is likely to exceed our budget. As to the major causes of this phenomenon, 55.7 percent of the experts responded that it was due to poor economic efficiency, 21.4 percent that it was due to irrational expenditures, 11.4 percent that it was due to severe natural disasters, and 10.0 percent that it was due to irrational distribution relations.

Predictions On Economic Trends in 1992

1. The predominant opinion is that China will maintain a rough overall balance between supply and demand in 1992. As many as 64.3 percent of the experts predicted that a rough overall balance will be maintained between supply and demand in our national economy in 1992, with 17.1 percent predicting that overall demand will remain inadequate, and another 18.6 percent making no definite predictions. In analyzing 1992's economic trends, the

experts gave full consideration to the aftermath of the large-scale natural disasters that occurred in 1991, with 77.1 percent predicting that they would not have a great impact on economic growth in 1992, and only 21.4 percent predicting that the aftermath of 1991's natural disasters would be passed along to have an adverse impact on 1992's economic growth.

2. Our industrial growth rate is likely to be 7-10 percent. As to our 1992 industrial growth rate, 54.3 percent of the experts predicted that it would reach 7-10 percent, while 44.3 percent predicted that it would reach 11-15 percent. There was a big difference in the predictions on 1992's industrial growth rate by central and local experts, with 55.6 percent of central experts predicting that it would reach 11-15 percent, and 64.7 percent of local experts predicting that it would reach 7-10 percent.

3. Price increases will reach 6-8 percent. As to 1992's price and inflation trends, 58.6 percent of the experts predicted that the national retail sales price index would be 6-8 percent higher than in 1991, with 18.6 percent predicting that it would be 8-10 percent higher, only 4.3 percent predicting that it would be more than 10 percent higher, and 18.6 percent predicting that it would be less than 6 percent higher. In predicting 1992's inflation trend, an unavoidable issue was assessing the possible market impact of the over 880 billion yuan in existing savings and over 200 billion yuan in cash on hand of urban and rural residents, with 75.7 percent of the experts predicting that it would not have much of an impact, 5.7 percent predicting that it would have no impact, and only 18.6 percent predicting that it would have a large or very large impact.

4. The "triangular debt" conflict will continue to ease, while economic efficiency will further improve. As many as 68.6 percent of the experts predicted that the "triangular debt" problem would improve somewhat in 1992, with 7.1 percent predicting that it would improve greatly, and only 24.3 percent predicting that it would continue to be severe. As to the change in economic efficiency of large and mid-size enterprises, which is related to the "triangular debt" conflict, 81.5 percent of the experts predicted that along with the steady implementation of the 12 measures that the state has put into effect to revamp large and mid-size enterprises, the economic efficiency of state-owned enterprises in 1992 would improve somewhat or sharply, while only 18.5 percent predicted that it would change little or continue to decline.

Recommendations for Macroeconomic Policy Directions and Economic Reforms in 1992

1) Most of the economics experts recommended the adoption of a firm policy to stabilize demand. Of the experts who responded to this survey questionnaire, 77.1 percent recommended that China's basic macroeconomic policy direction in 1992 should be to stabilize public demand. This recommendation warrants our attention for the following reasons: a) The current increased demand in the areas of money supply, credit scope, and fixed assets investment is higher than the average levels of the 80s, while our industrial production growth rate is also showing symptoms of being too fast, and inflation pressures are

increasing steadily; b) In 1992, the Central Committee will publicly announce the end to the three-year period of improvement and rectification, and will hold the 14th CPC Congress. Within this setting, we will have to draw on the historical lessons that we have learned from our past experience in striving unilaterally to achieve fast growth rates and reach high targets, pay great attention to preventing the recurrence of the tendencies of "gearing up and going all out" and being overanxious for quick results, and adopt timely policies to stabilize investment and consumer demand and control the credit scope and money supply, in order to prevent as much as possible a new round of overheated economy in the last half of 1992.

2) Stabilization of interest rates will be a key way to stabilize demand. Adjustment of interest rates has become a key means of leverage in regulating the relations between supply and demand in China in recent years, receiving much attention not only from the business world, but also from the macroeconomic control sector and policymakers. As to adjustment of interest rates being a key way to stabilize demand, 48.6 percent of the experts recommended that interest rates be stabilized in 1992, in order to prevent the continued increase in stimulation of demand due to the lowering of interest rates, while 32.9 percent recommended that interest rates should continue to be lowered appropriately in 1992, and 17.1 percent recommended that they should be allowed to fluctuate in a timely manner. As the national economy is now experiencing an upsurge, lowering interest rates further might have an adverse impact on the stabilization of public demand. Thus, plans should be made to stabilize interest rates at their present level for the first half of 1991, while consideration can be given to raising them appropriately in the second half of 1992 if the economy continues to grow, in order to prevent increased demand.

3) Enterprise shareholding system pilot projects should be expanded. As to the most effective way to convert state-owned enterprise operating forces, 52.9 percent of the experts responded that this should be accomplished through shareholding systems, 37.1 percent that it should be through the contract (management responsibility) system, and 10.0 percent that it should be through leasing or other forms. Based on this assessment, the basic approach of the experts towards enterprise shareholding systems was as follows: 57.1 percent recommended expansion of pilot projects in 1992, 37.1 percent recommended continuation of pilot projects, and 1.4 percent recommended large-scale popularization, while only 4.3 percent recommended that shareholding systems should not be practiced at all.

4) Cultivation of stock markets should be speeded up. Shareholding system development is inseparable from stock markets. As China's current stock market development is no longer simply a means of balancing the budget, but has become a key means of leverage in raising construction funds, increasing enterprise production investment, and improving enterprise actions, 52.9 percent of the experts recommended that China's stock market pilot

projects should be expanded in 1992, 41.4 percent recommended that they should be continued, and 5.7 percent recommended that they should be popularized on a large scale.

5) It is imperative to adopt diversified forms of construction fundraising. Relying on financial allocations alone as a means of raising priority construction funds is becoming increasingly less viable and hard to continue. As to future methods of raising priority construction funds, 78.6 percent of the experts recommended that in addition to financial allocations, diversified forms should be adopted, such as enterprises raising funds on their own, attracting foreign investment, getting bank loans, and issuing stocks and bonds, in order to diversify construction funding sources. Thus, as diversified forms of fundraising, such as bond issues, should become the major future source of China's construction funding, they should be confirmed as the key direction of our monetary and investment system reforms.

6) Joint investment by the state, enterprises, and individuals is the direction we should take to speed up commercialization of housing. The survey questionnaire results showed that in housing reform, 92.9 percent of the respondents approved of the housing construction form of joint investment by the state, enterprises, and individuals. This shows that pushing forward with housing reform in this form not only can increase housing investment funding sources, ease housing shortage conflicts, and optimize housing construction investor composition, but also can make use of consumer investment to absorb some idle funds from the public, regulate consumer spending behavior, ease inflation pressure, and promote the stable growth of the national economy.

7) We should proceed firmly with pilot projects in the separation of profits from taxes. While most Chinese enterprises have already begun the second round of contracting, there was a strong consensus among the experts on the need to continue with pilot projects in the separation of profits from taxes, with 48.6 percent recommending that they should be continued, 40.0 percent that they be expanded, and 11.4 percent that they be popularized on a large scale.

Foreign Investment To Improve Old Enterprises

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[Article prepared by the State Council's Research Department's Labor Relations Group; written by Mao Zhenhua (3029 2182 5478) and Ge Chengdong (2047 2052 2639), edited by Shang Zengjian (1424 1073 0256): "Using Foreign Investment To Improve Large- and Medium-Sized Enterprises"]

[Text] I. Result of China's Use of Foreign Investment in the 1980's

In the 1980's, as China continued to reform and open up and as its investment environment continued to improve, direct foreign investment in this country increased by leaps

and bounds, and both the investment structure and format also changed drastically. Specifically:

1. Direct foreign investment continued to increase substantially. Foreign investment as a percentage of China's actual use of foreign capital increased from an average of 9.4 percent a year during the 1972-1982 period to 33.7 percent in 1989. Throughout the 1979-1989 period, the share was 26.8 percent, and actual foreign capital utilization came to \$15.494 billion. Between 1983 and 1989, foreign investment increased at a rate of 32.2 percent a year, compared to the 31.3 percent annual rate of increase in actual use of foreign capital.

2. Most direct foreign investments were in the form of joint venture and contractual joint venture. The share of joint ventures had increased from 8.0 percent in 1982 to 47.5 percent in 1989. By the end of 1989, China has approved a total of 12,198 joint ventures. Meanwhile the share of contractual joint ventures had fallen from 41.1 percent to 19.3 percent, and the state has approved a total of 7,994 contractual joint ventures. At the same time, the share of joint development projects had plummeted from 41.5 percent to 3.6 percent, with a total of 59 joint development projects approved [at the end of 1989]. The share of wholly foreign-owned enterprises has soared again since 1988; in 1989, wholly foreign-owned enterprises accounted for 29.5 percent of all foreign investments, and a total of 1,525 wholly foreign-owned enterprises have been approved [at the end of 1989].

3. The distribution of foreign investments among different industries was reasonable, and investment in production-oriented projects grew at a fairly rapid pace. Prior to 1986, the bulk of foreign investments had been in the tertiary industry. At the end of 1988, investment in the tertiary industry had accounted for 54.96 percent of the sum of foreign investment as agreed. Things changed dramatically in 1989. Among the foreign investment projects approved, 85.44 percent were in the primary and secondary industries and only 14.55 percent were in the tertiary industry. Thus the overall distribution of foreign investment in the 1979-1989 period was as follows: Primary industry, 3.04 percent; secondary industry, 53.46 percent; tertiary industry, 43.5 percent.

Between 1979 and 1987, out of the total foreign investment in joint ventures in the secondary industry, 75.87 percent of the contracted amount were in the light, textile, pharmaceutical, electronics, machinery, and other processing industries; 24.13 percent were in building materials, metallurgy, electric power, chemical, petroleum and other raw material and energy resource projects.

4. The regional distribution of foreign investments was fairly uneven. Most foreign investments were concentrated in Guangdong Province, Fujian Province, Beijing Municipality, and Shanghai Municipality. Between 1979 and 1989, these four provinces and municipalities accounted for 75 percent of all foreign investments in the provinces and cities in this country; Guangdong Province in particular claimed more than 46 percent.

The success of China's use of foreign investment, especially the concentration of foreign investment in the secondary industry and the soaring number of joint ventures since 1986, to a very large extent was attributable to the state-run enterprises', especially the older enterprises', good understanding of the advantages of putting foreign investment to use and bringing into full play enterprises' initiative and enthusiasm: First, foreign investments bring in foreign capital and advanced technologies, boost the technological transformation of old enterprises, raise the starting point of technological improvements, and also give impetus to the development of related industries. Second, they help change enterprises' operating mechanisms and correct the internal management defects which have hampered enterprise development. When foreign investors take part in improving the large- and medium-sized state-run enterprises, it increases enterprises' awareness about risks and profit constraints, enhances their market concept and their consciousness about being responsible to the consumers and about serving the consumers, and it increases their ability to compete and to withstand market fluctuations. In personnel management, most joint ventures have adopted the system of contracting with the entire staff, smashing the state-run enterprises' "iron rice bowl." With respect to the wage system, the staff and workers are paid according to their ability and their contributions, thus smashing the "big pot." The management organs have been streamlined. Workers may be specialized, but they can also perform many tasks, so as to eliminate the problem of having more workers than jobs. Third, they have further smoothed the relationship between the state and enterprises and prompted the change in the government departments' economic management functions. Foreign investments have changed the old homogeneous character of all state-run enterprises being people-owned enterprises. This forces the government administrative departments to make a distinction between their capacity as representative of the owner of enterprise assets and their capacity as executor of state power and differentiate the methods and the ways they influence enterprise production and management activities in their respective capacities. As representative of the owner of part of the joint ventures' or the contractual joint ventures' assets, the relevant government department can influence enterprise production and operation through its investments, profit allocation, and its choice of enterprise managers and other decisions. Once the relationship between responsibilities, rights, and privileges is determined, the government departments can no longer unilaterally change their relationship with the foreign investors and the enterprise managers, nor can they artificially and arbitrarily make demands on enterprises. As executor of state power, the government administrative departments can influence enterprise behavior by adjusting the tax, price, and credit policies and promulgating relevant laws and regulations. The government's job is mainly to provide enterprises with services and not to impose all sorts of administrative interventions.

II. Problems in Using Foreign Investment To Transform Old Enterprises

China is still at the initial stage of using foreign investment to transform its old enterprises, and there are many problems. Currently, the main problems are:

1. There is no standard for assessing the value of state-owned properties, and China's share of equity is often undervalued. According to international practices, if existing fixed assets are used to create a joint venture, their value must be appraised, but because there is no uniform policy stipulation, some localities would use the original net value of Chinese plants and equipment and use the current market price of the foreigners' input in their calculations, and as a result, China's share of equity is undervalued. Recently, Shanghai Municipality reassessed the value of Chinese input in eight joint ventures and raised the appraised value of equipment from 43 million yuan to 65 million yuan, increasing the average assessed value by more than 50 percent. Furthermore, in the absolute majority of the joint ventures, the Chinese enterprises never reassessed the value, based on cost or on profitability, of their foreign-bought, self-created, or previously owned intangible assets prior to the creation of the joint ventures.

2. Domestic matching funds are scarce. The Bank of China estimated in 1986 that to absorb \$1 of foreign investment, we must come up with 8-9 yuan of our own. In recent years, the price of raw materials and energy resources has soared and the number of enterprises under construction or already in operation has increased dramatically, and so the amount of matching funds needed has increased many folds. Calculations based on Bank of China's study of the registered capital ratio and in-kind goods and cash ratios showed that China's equity share in Sino-foreign joint ventures and contractual joint ventures agreed upon before the end of 1989 alone came to more than 30 billion yuan, and in addition we also needed large sums of matching circulation funds. But during the same period, the Bank of China system which was the main provider of funds not only did not increase the availability of matching funds in real terms but actually reduced it. This caused a huge fund shortfall, and as a result, some contracts under negotiation simply fell through; some already-signed contracts could not begin construction or production as planned, and some already-completed projects did not perform properly, and these led to a low foreign investment contract fulfillment rate. Data show that up to the end of 1989, \$15.392 billion's worth of foreign investments remained unused; this came to about 50 percent of the agreed sum of foreign investments.

3. New old-enterprises operating under "one plant, two systems" are facing many problems. Currently, most joint ventures set up by the large- and medium-sized enterprises and foreign businesses are created out of a chunk of existing enterprises; they are operating under "one plant, two systems," and it has produced some conflicts: One, there is increased pressure on the old enterprises, and the joint ventures are unable to share their burdens in the immediate future. Most joint ventures do not make a

profit in the first three years, and the old enterprises are forced to let the other part of their former selves assume the profit delivery responsibility under the old contracts, take over the export duties, and assume the responsibilities assigned by the mandatory plan. Moreover, they are also responsible for repaying the loans obtained for the joint ventures, which further add to their burdens. Two, the production and management relationship between the new and old enterprises has become increasingly strained. Many joint ventures practically produce the same goods as the old enterprises, and as the joint ventures' production and operation develop, the old enterprises are the first to have to compete with the joint ventures when buying raw materials and selling the finished products, and they are put in an increasingly difficult position. Three, it is difficult to find work for the surplus workers, and the pay difference dampens the enthusiasm of workers in old enterprises. Surplus workers created in the process of forming the joint ventures are usually taken care of by the old enterprises which are already burdened with too many workers and poor efficiency. Moreover, the wages of workers in the joint ventures are clearly higher than those in the old enterprises, which makes the latter group uneasy and dampens their enthusiasm. These increase the factors of instability in enterprises.

4. The foreign investments are poorly structured. For more than a decade, foreigners have invested in almost every sector of the economy except the defense industry, but the main investment direction has been in nonproductive projects, in the manufacturing of everyday consumer goods, and in labor-intensive-type projects. There has been little investment in basic industries and in the technologically advanced, high added-value multiple processing industries. Moreover, investment in any single project has been small, investments are spread out, and redundant importing has been a fairly serious problem. This is particularly true in the case of investments from Hong Kong, Macao, and Japan.

5. It has been difficult to maintain balance of payments. The Chinese Government has asked that every Sino-foreign joint venture balance its own payments, but studies show that while balancing international payments has not been a serious problem with enterprises in the light and textile industries and raw materials processing industry, it has been fairly difficult for those in the machinery and electrical goods industries. In particular, it is difficult for old enterprises that use foreign investment to upgrade themselves to compete internationally right away because of the level of technology and the quality of the products, and balance of payments is especially problematic for these enterprises.

6. The price of products and the types of markets tend to favor the foreign investors. In the joint ventures, the foreign investors often take advantage of the fact that they are in control of sales and supply and that we are unfamiliar with international market conditions and lack purchase and sales channels, and they often provide the joint ventures with equipment, raw materials, parts and components, and industrial property rights at above international

market prices, and they also contract to sell the products, as a monopoly or as an agent, at well below international market prices. Some joint ventures even fix the price of export goods in the contract once and for all, and when the domestic price of raw materials rises, we cannot pass the higher cost onto the export goods. This has an adverse effect on enterprise profit. In addition, the foreign investors in many joint ventures are only interested in increasing their market shares in China and often take advantage of the poorly written contracts and our management loopholes to renege on some or all of their export responsibilities. In 1988, 78 percent of the goods produced by the FIE's were sold in the domestic markets. A 1988 study of 50 enterprises in Tianjin showed that their contracts stipulated that the foreign partners could resell 60 percent of the goods produced, but less than 50 percent honored their contracts.

7. The regions compete with one another in formulating preferential policies, and the state's overall interest is being jeopardized. The regional distribution of foreign investments is uneven. More than half of the actual investments are in Guangdong and Fujian provinces, and some old industrial bases in the interior which urgently need foreign capital have made little headway. Under the current situation when enterprises are facing tremendous pressure and many problems, some localities are so eager for quick success as to keep raising the stake in offering preferential measures and compete with other regions to see who can come up with better terms. Some foreigners make repeated comparisons among several cities, using this kind of regional competition to force the Chinese side to make concessions. A few localities even welcome projects which are incompatible with China's industrial policy. This to some extent has compromised our national interests.

8. Other necessary reforms have not kept up: Using foreign investment to transform the large- and medium-sized state-run enterprises requires comprehensive reform of China's planning, pricing, and enterprise management systems as well as the property rights structure, labor and employment system, and the social security system. But so far reforms in those areas have not kept up. This has limited the success of this kind of transformation and has kept its scope from expanding even more.

III. Some Policy Suggestions To Facilitate the Use of Foreign Investment To Transform the Large- and Medium-Sized Enterprises

To use foreign investment even more efficiently to improve the large- and medium-sized state-run enterprises, in the future, we must abide by the following three principles:

One, while giving full play to the positive role of using foreign investment to upgrade the large- and medium-sized enterprises, we must also rely heavily on our own strength to transform those enterprises. Currently, there are more than 11,000 large- and medium-sized state-run enterprises in China; they are scattered in all sectors of the economy. Most of them need to be completely overhauled: They need to change their operating mechanisms, their production techniques, and their organizational structure.

The tasks are arduous. Meanwhile, worldwide economic growth has slowed; the flow of international capital has been diverted mainly to the developed nations, and changes have swept the Soviet Union and East Europe—these will make it impossible for China to use foreign investment as it did in the 1980's, at an average rate of 32.2 percent, and it is unlikely that the scope and speed of using foreign investment to improve the large- and medium-sized enterprises will increase significantly. In addition, as learned from our experiences in the 1980's, it is fairly difficult for the basic industries which have long hampered China's economic development to attract large amounts of foreign investments, and as for the processing industry, whether old enterprises have actually undergone technological transformation is an important factor affecting foreign investments. Thus, using foreign investment should be only one among several ways, but not the only way, to improve the large- and medium-sized enterprises, nor should we put all our hopes on this approach.

Two, while constantly deepening the reform process, we should maintain a sense of unity, stability, and continuity in our policies. Using foreign investment to transform the large- and medium-sized enterprises is a product of China's reform and opening up. Any future development will also depend on the continued effort to further restructure China's economic system. However, in future reforms, we should as much as possible avoid causing serious economic disturbances, and we must maintain a sense of unity, continuity, and stability in the relevant policies. Currently, the absence of uniform policy in the different regions, the absence of standard operating procedure, and the recent phenomenon of regions competing to offer more and more preferential terms all have a very adverse effect on our effort to attract and to make better use of foreign investment. On the one hand, they undermine the state's overall interest, and on the other hand, they lead many foreign investors to take a wait-and-see attitude and make it difficult for them to make investment decisions. Practice proved that localities taking it upon themselves to contradict the central government's policies and regulations and arbitrarily offering more favorable terms is the one main factor that is making it difficult to keep the policies uniform, stable, and permanent. Thus, in order to create a stable investment and management environment in the future and reduce the forces that obstruct the process of thorough reform, we must examine and supervise local policies more closely.

Three, we should make sure that our effort to attract foreign investment is compatible with our ability to digest and absorb the foreign capital. It is vital that we do not pursue speed and quantity at the expense of quality and efficiency. How much foreign capital a country should attract depends not only on the supply of international funds but also on its economy's ability to digest and absorb the foreign capital. This ability is determined by the supply of various of resources—mainly, matching funds, infrastructure, raw materials, and personnel—which should match up with the types of capital and goods being imported. The problems we observe today show that there is a wide gap between what we have and what the rapid

development of the FIE's needs. In the future, as we strive to improve the infrastructure and develop the basic industries, we must keep the scale and rate of foreign investments we attract reasonable and compatible with our ability to absorb and digest them, and instead of focusing on quantity and speed, we should emphasize the FIEs' economic efficiency and social benefits.

While upholding the above three principles, and in order to guide the foreign investments properly to transform the large- and medium-sized enterprises, we should focus on the existing problems and adopt the following measures:

1. We should take into consideration China's industrial policy and be practical and realistic in choosing the key businesses, industries, and regions for using foreign investment to upgrade old enterprises. Since energy resources, transportation, and electric power and other industries require huge investments, generate low profit, entail long construction period, are more difficult to upgrade, and do not have a reliable source of foreign exchange income, we cannot realistically hope to absorb much foreign investment. Today, in attracting foreign investments we should put the emphasis on improving old enterprises in the machinery and electronics industries. Primarily we want to develop the production of industrial capital goods, critical equipment, and electronic parts and components. As for the light and textile industries and industries that produce household appliance parts and components and everyday consumer goods which attracted a lot of foreign investments earlier, they should concentrate on upgrading the products, developing new products, and increasing export to earn more foreign exchange in the future. Ordinary consumer goods intended mainly for domestic sales, including food and beverages, cosmetics and other everyday manufactured goods, should be restricted.

The three northeastern provinces, Beijing, Tianjin, Shanghai, Sichuan, and Hubei have a fairly high concentration of old enterprises in the machinery and electronics industries. Currently the enterprises are facing great difficulties and need extensive technological upgrading. We should allow some of these localities to promulgate their own preferential policies toward the three kinds of wholly and partially foreign-owned enterprises in accordance with local conditions. They need to create the right conditions and perfect the investment environment to attract foreign investment to improve old enterprises.

2. While being fair and equitable and treating everyone the same way, we should forge closer ties with enterprises in the United States and Western Europe and try to set up more Sino-U.S. and Sino-European joint ventures. Survey showed that in Sino-U.S. joint ventures, the U.S. investors generally make bigger investments and are more willing to reinvest their profits; most of the joint ventures are for a period of more than 15 years, the investments are mainly in industries using state-of-the-art technologies, and they also bring in more advanced technologies. Some U.S. investments in such enterprises as Beijing's Jeep Company and Shanghai's Associated-Kaili Company contribute dynamic technologies as capital. This no doubt facilitates the transformation of China's large- and medium-sized

enterprises. But in the 1980's, only 11.66 percent of the investments came from the United States, far below the 62.26 percent from Hong Kong and Macao. In the future, when dealing with foreign investors such as those U.S. investors who provide not only large sums of capital but also advanced technologies and management experience, we should allow the joint ventures a higher percentage of domestic sales. Also, we should upgrade the technologies of enterprises that complement the large joint ventures, and while further improving the operating environment of the joint ventures and promoting their development, we should try to turn the imported technologies into Chinese technologies and further expand the scope of technological transformation of Chinese enterprises.

3. We urge the State Administration of State Properties to promptly formulate a unified property assessment principle and specific methods. Property appraisal should take into consideration market prices, replacement cost, expected profitability and so on, and if accepted by the State Administration of State Properties, that value will become the base price when registering capital and when negotiating with foreign investors. Old enterprises' accumulated intangible assets, such as production techniques and secret knowhow and domestic and foreign sales channels, should also be reassessed based on profitability and cost prior to forming a joint venture.

4. We must have sufficient domestic matching funds to support projects under construction or already in production. We should make our attempt to solve the problem of insufficient matching funds a part of the implementation of the 11 measures drawn up by the State Council. Joint venture agreements entered into before 1991 to transform old enterprises should have priority in accessing matching technological transformation and circulation funds. In the future, besides giving loan guarantee priority to joint ventures of this nature, and depending on how well both the Chinese and the foreigners fulfill the agreements and contract terms, we should extend favorable loan terms in the form of reduced interest or discounts based on the state's preferential loan rates for investments in the energy and transportation industries.

5. We need to carry out reform in other areas to create a good enterprise management environment. Enterprises that are using foreign investment for technological transformation should lead in restructuring the social security system, labor utilization system, and the distribution system, and they should be the first to test the shareholding system and the separation of tax and profit. On the premise that the state's and the foreign investors' interests are protected, we should put things in perspective and consider enterprises' profit delivery duties [prior to creating the joint ventures] and continue to supply energy resources and goods and materials through the original channels. With regard to the profit delivery contract base, we can learn from the successful experience of the Shanghai Automobile and Tractor Industrial Corp., that is, we can let the corporation contract the financial base and initially let the corporation help out the various internal joint ventures with their contract responsibilities by means

of internal fund gathering, equal transfer, and short-term lending and borrowing and so on.

6. We should set up a unified foreign exchange regulation market and keep the foreign exchange regulation price relatively stable and improve the FIEs' balance of payment situation. While accelerating the process of turning the technologies for producing enterprise equipment, raw materials, parts and components into Chinese technologies and striving to increase exports, we should consider the fact that China's old enterprises in the machinery and electronics industries lack export capability, their products are not very competitive in the international markets, and the fact that currently they are mainly producing import-substitutes, the state should set up a unified foreign exchange regulation market in the near future, and depending on the technological standards of the joint venture's products, how well these products function as import-substitutes, and to what extent they are "Chinese-made," this type of enterprises should be given some foreign exchange regulation preferences.

7. The administrative organs in all regions and departments should comply with international management practices and resort less to unconventional means of interference. Today we should clarify the Chinese board of director's property rights and responsibilities, so that China's property rights in the joint ventures no longer go unclaimed and the state-owned assets and responsibilities are no longer undefined. We should protect China's legal rights and privileges by legitimate means. We should help enterprises expand overseas purchase and sales channels: enterprise supply and marketing links should no longer be controlled by the foreigners. We should set proper domestic-foreign sales ratios for different products: we can be more generous about industrial capital goods but more strict about the domestic sales of everyday consumer goods. We should strengthen tax collection and management. Local tax departments can delegate to the accountants the job of auditing the joint-venture enterprises regularly. Enterprises that do not pay taxes according to regulations or who transfer profits overseas and misappropriate the state's profit should be reported to the judicial and the procuratorial departments; the responsible persons should be prosecuted. While strengthening standardized management, the relevant government departments must consciously and voluntarily provide enterprises with all kinds of services, including information and consultation, goods and materials, and default-prevention.

PROVINCIAL

Actions To Improve Provincial Government Finances

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[Article: "Various Actions of the Shaanxi Provincial People's Government To Bring About a Substantial Turn for the Better in the Government Financial Situation"]

[Text] Better government financial management and the straightening out of distribution relationships are both urgent requirements for realization of the second strategic goal in modernization. In view of the financial situation and tasks being faced at the present time, following diligent summarization of experiences, the provincial government has decided to take some practical and effective actions to intensify reform and improve returns to bring about a substantial turn for the better in the province's financial situation during the Eighth Five-Year Plan.

1. A Turn for the Better in the Government Financial Situation Is an Extremely Urgent Strategic Task

(1) *Government financial administration is an economic process of distribution and redistribution of social product in which the state takes part that reflects overall economic strength.* Since the advent of reform and opening to the outside world, the province's public finance has developed fairly rapidly, government financial revenues doubling during the Seventh Five-Year Plan. This has given powerful support to reform and opening to the outside world, to the building of the economy, and to social development. At the present time, however, government is facing numerous financial contradictions and serious difficulties. The government has run a deficit year after year, its revenues falling short of expenditures. A fairly large number of counties are even unable to pay the wages of staff members and workers on time; the percentage of government funds used for the building of production has declined year after year; and a fairly large gap still exists throughout the province in the amount of funds needed during the Eighth Five-Year Plan. Money must be collected from all quarters. At the same time, the government's financial burdens have become increasingly heavy. The financial deficit and payment arrears, arrears in making up the losses of grain enterprises, and the posted losses and the potential losses of industrial enterprises are increasing with each passing year, thereby seriously weakening reserve strength for government financial development.

(2) *Government financial difficulties reflect the deep down contradictions that have accumulated for many years in operation of the national economy. They are the inevitable result of imbalance between social total demand and total supply, and the overheating of the economy. An objective and comprehensive analysis of historical proportions is needed.*

An inflexible operating mechanism, failure of technological transformation to keep pace, antiquated equipment, outdated products, careless management, and lack of both ability to respond to changes in the market and to compete have resulted in a decline in returns, a fall in profits, and an increase in losses of the principal suppliers of government revenue—large- and medium-sized state-owned enterprises. Thus, sources of government revenue have dried up.

The government's financial burdens have increased too fast. During the Seventh Five-Year Plan, the province's administrative expenses more than doubled, more than two third's of government revenues going to pay personnel

expenses. Price subsidies and subsidization of enterprise plan losses increased 1.4 fold.

In the process of changing from the old to the new system, some upset occurred in the distribution of national income. In addition, because of a slackening of financial discipline and a weakening of budget restraints, some national income slated for redistribution was intercepted and shifted elsewhere during the first distribution. This meant that large amounts of money "circulated outside the system"; it was used in a decentralized manner, and it was lost or wasted.

The excess distribution of national income is a fairly serious problem. The initial distribution of income is weighted too much toward individuals. The increase in the staff member and worker total wage bill exceeds the increase in the labor productivity rate; the increase in the consumption fund exceeds the increase in economic returns; the payout fund is insufficient, and the accumulation rate has declined. Many enterprises fail to withhold the funds for depreciation that they should withhold; ordinary production expenses that should be amortized are not amortized; costs are not factual; profits are recorded when enterprises are operating at a loss; and returns are not reported truthfully. In the course of redistribution of national income, expenditures and capital construction may be planned at a scale that exceeds the availability of financial resources. This creates a situation in which some jurisdictions do not return money to the treasury that they should return; projects that should be subsidized are not subsidized; and production funds that should be provided cannot be provided, which makes government financial revenues fictitious to a certain extent.

(3) *A fundamental turn for the better in the government financial situation depends on improvement of the macroeconomic climate and marked improvement in economic returns.* Long-term, unsolved continuation of the government's financial problems is bound to impair the government's discharge of its functions. This hurts the sustained, stable, and coordinated development of the national economy, hurts overall political, economic and social stability, and hurts realization of the second strategic goal of modernization. We must clearly realize the grim situation that the government is facing, then make a turn around in the government financial situation a most urgent strategic task to be placed on the agenda of important things to do of leaders at all levels. We must unify thinking, strengthen leadership, actively move ahead, and produce results in order to provide reliable financial support for realization of the 10 year plan and the Eighth Five-Year Plan.

2. The Guiding Thought and Main Goals in Turning Around the Government Financial Situation

(4) *Solution to the government's financial problems requires adherence to a guiding thought of increasing capital while conserving expenditures and living within means.* This is both a lesson learned from a summation of the experiences of history and is also the basic way to handle money matters. Implementation of this guiding thought requires good handling of the following several relationships: One is

the relationship between the economy and government finance. The economy determines the government's financial situation and the government's financial situation affects the economy. The fundamental way of getting out of the government's financial difficulties lies in development of the economy. It means increasing returns, opening up sources of revenue, and increasing revenues. Moreover, government raising, distribution and use of funds must help advance the development of production and improve the material and cultural life of the people. Second is the relationship between accumulation and consumption. Government budgeting must adhere to a policy of "first, feed the people; and second, build the country." Regular expenditures must be taken care of first, and once this is done, expenditures for construction may be planned on the principle of proceeding according to capability, making sure to guard against and overcome the tendency to be overly anxious for success, and resolutely preventing the excess distribution of national income. Third is the relationship between centralization and decentralization of authority. Action must be taken in the spirit of helping increase economic vitality while also helping increase macroeconomic regulation and control for diligent solution to the problem of too great a decentralization of financial resources that presently exists. So long as production is developed and returns are improved, a combination of moderate centralization and rational decentralization may be used to stir the zeal of all concerned. Fourth is the relationship between broadening sources of revenue while reducing expenditures. While nurturing and opening new sources of revenue, financial expenditures have to be stringently controlled. Specifically, expenditures for non-productive purposes must be curtailed, arduous struggle, hard work and thrift, and living frugally adhered to.

(5) *During the Eighth Five-Year Plan, we must treat the problem by looking at both root causes and symptoms, by reconciling advantages and disadvantages, by going from the near-term to the long-term, and by treating it in multiple ways for the gradual building of government finance that is balanced, consistent, substantial, possesses reserve strength, and functions well.*

Achievement of substantial balance between government revenues and expenditures. If government revenues increase in step with the increase in GNP, by 1995 the province's revenues will increase to 6 billion yuan. If government expenditures are to be held within available financial resources, they will have to increase more slowly than government revenues.

Substantial digestion of government bills outstanding over the years. Thanks to reforms made in the grain procurement and marketing system, the housing system, and the free medical care system, the government will make no substantial new charges to account, and it will digest little by little the accumulated fiscal deficit, thereby putting government finances on a sound and reliable foundation.

Preliminary fashioning of steady and reliable sources of revenue. A policy of increasing revenues with one hand while rolling back subsidies with the other will have to be maintained. Current revenue sources will have to be

husbanded and stabilized, and follow-on sources of revenue fostered and opened up to achieve a combination of primary sources of revenue [state-owned enterprises] and community sources of revenue, existing revenue sources and follow-on revenue sources that complement each other.

Further reform and perfection of the government financial mechanism and functions means hastening the pace of government financial system reform in the gradual building of a government financial operating system that combines the plan economy with market regulation, strengthening government finance's macroeconomic regulation, control, and supervisory functions, and conscientiously turning to advantage the guiding role of government finance in national income distribution, the better to meet the needs of economic and social development.

3. Making Large- and Medium-Sized State-Owned Enterprises Perform Well To Increase Economic Returns

(6) *The focal point of the various contradictions that government finance is facing is the poor economic returns of enterprises. Therefore, surmounting the government's financial difficulties means paying close attention to making enterprises—particularly large- and medium-sized state-owned enterprises— increase economic returns. We must resolutely implement the "Enterprise Law" and earnestly carry out the series of policies and regulations of the party Central Committee, the State Council, and provincial party committees and governments regarding state-owned large and medium-size enterprises in order to further push enterprises toward the market, and make them gradually develop into business operators and commodity producers capable of independent operation, assuming sole responsibility for profits and losses, having the ability to develop themselves on their own, and able to restrain their own activities. We must do an outstanding job in the reform of the enterprises' operational mechanism, actively promote a system of contracting of the entire work force, a system for hiring cadres and the entire staff, and a system for linking wages with the technical difficulty of the post. We must take further steps to smash the "iron rice bowl," "iron armchair," and the "big pot," and gradually develop new mechanisms in which cadres can be promoted and demoted, workers and staff can join or leave the enterprise, wages can be increased or decreased, and enterprises can be enlivened or go bankrupt.*

(7) *We must promote technological advances, adjust the industrial structure, improve the market competitiveness of enterprises and their ability to adapt to changes. During the Eighth Five-Year Plan, the province will have to invest 2.7 billion yuan in the technological transformation of exiting enterprises, and it will have to both increase depreciation rates and exemptions from the payments of profits and taxes as a means of further increasing enterprises' reinvestment capabilities and to increase inputs into technological progress and structural readjustments. Special attention must be given the technological transformation of 100 key enterprises, the development of 100 key products, and the*

application of 10 mature technologies. Both administrative measures and economic levers must be applied to guide and spur enterprises toward meeting market needs. Adjustment of the product mix will have to be accelerated, and survival of the fittest will have to be instituted. Enterprises that have surplus production capacity, that have large amounts of finished products accumulating in inventory, and that have been losing money for a long time must be closed, suspend production, merge, or switch to the manufacture of other products, and their remaining problems must be properly handled as well. Enterprises who abide by industrial policy, are technologically sophisticated, enjoy brisk sales, and make relatively good returns must be given vigorous support to enable them to produce at full tilt for full benefit.

(8) *Improve returns from investment in fixed assets. The system for scientifically validating and deciding fixed assets investment projects must be further perfected and strictly enforced, investment decision making responsibility improved at all levels, the whole process of managing construction projects made better, and economic returns from investment related to responsibility, authority, and interests. A coordination mechanism for the construction of key projects must be established, units concerned organizing coordination teams that regularly study and solve problems in the construction of key projects.*

(9) *Augment enterprises' own circulating capital. Banks and the government must appropriately augment enterprises' working capital. Enterprises able to do so should themselves augment their working capital to the percentage that inaugurated policy provisions allow. The investment in fixed assets provided for in the budgets of governments at all levels should set the percentage between fixed assets and working capital at 8 to 2. The fixed asset investment accounts of bank credit departments should also provide for a corresponding amount of working capital.*

(10) *Improved administration and management; doing good economic accounting. Strictness in the operation of factories and strict management must be upheld. Quality control should be the main aim in intensifying all basic management work, quota control of materials, equipment, work hours, and capital improved. Internationally advanced quotas should be applied to some enterprises whose equipment is technologically sophisticated and whose level of management is relatively high to the promotion of modern management. A completely strict economic accounting system should be established for level-by-level management, level-by-level accounting, and level-by-level checking; the cost accounting system perfected; and control over costs increased. Governments at all levels must organize capable cadres to go into enterprises to support, help, and promote improvement of enterprise management.*

4. Fostering of Follow-On Sources of Revenue To Increase Government Financial Stamina

(11) *Greater building of follow-on revenue sources is a basic way to strengthen government finance. Governments at all levels must use investigation and research as a basis for drawing up plans for building their individual sources of*

revenue. They must make the most of local advantages and rely on progress in science and technology to open up and foster follow-on sources of revenue in a planned, goal-oriented, and positive way. Provinces should concentrate on building main sources of revenue for government financial support, and prefectures, municipalities, counties, and townships must nurture their own main sources of revenue for the fashioning of a structurally rational, multi-level network of revenue sources.

(12) *Acceleration of the building and development of key electronics, food, textile, energy, raw and processed materials, and military industries.* Technological transformation should be used to increase the percentage of A and B grade cigarettes and filter cigarettes, and the quality of name brand white spirits made from corn and sorghum, and fruit liqueurs; to produce high quality, deeply processed textiles; to expand the ability to produce special steels and high alloy steels; to develop petroleum, natural gas, and refined chemical industry products; and to produce a number of high added value investment type electronic products, thereby substantially increasing the contribution of key industries to government finance. In addition, we must actively support development of township and town enterprises, the city and town collective economy, and tertiary industries that provide financial, insurance, commercial, tourism, and food services, gradually increasing the percentage of these sources of revenue in government revenues.

(13) *Attention to both enterprises that pay large taxes and profits and taxes, and those that incur large losses.* Within five years, the number of industrial enterprises within budget that have produced profits and taxes of 100 million yuan has increased from four to 10; the number producing more than 500 million yuan has risen from seven to nine; the number producing more than 30 million yuan has increased from six to nine; and the number producing more than 10 million yuan has increased from 24 to 41. At the same time, of the 70 industrial enterprises incurring operating losses of more than 1 million yuan, 40 percent have turned losses into profits, 30 percent are breaking even, and 30 percent are producing smaller losses. Enterprises that have been able to reverse their losses ahead of schedule are permitted to retain their entire profit for use as a funds for increasing technological transformation and developing production. Leaders of enterprises that are at fault for being unable to reverse their losses within a limited period are removed from their positions locally and not permitted to serve in a leadership position elsewhere.

(14) *Continued attention to the task of creating revenues and rolling back subsidies of county level governments* Each county (municipal, and municipal district) must select three to five fairly large enterprises with development potential to receive heavy support and nurturing to enable them to realize profits and taxes of more than 5 million yuan during the Eighth Five-Year Plan, thereby becoming main sources of revenue for the government at that level. By 1995, the province should have built five counties that provide 100 million yuan in government revenue, and

increased from 18 to 30 the number that have rolled back government subsidies. So long as the central government's financial requirements of the province do not change, the percentage paid by counties that attain the revenue creation goal and whose revenue exceeds 100 million yuan will remain unchanged. Fixed subsidies will remain unchanged for two years for counties that succeed in rolling back subsidies, and beginning with the third year, the fixed subsidy will decrease in two and three year increments.

(15) *Improve the position of agriculture as the foundation, and readjust the structure of rural industry to advance faster development of the rural commodity economy.* This entails continued intensification of rural reform, stabilizing and perfecting the family output-related contract responsibility system, strengthening of the rural collective economy, development of a socialized service system for agriculture, and the establishment and perfection of a two-tier operating system that combines centralization and decentralization. It also entails year-by-year increased investment in agriculture, the spread of advanced agricultural techniques, invigorating the circulation of farm products, straightening out price relationships, and striving to make grain production reach a new level. It means supporting township and town enterprises in hastening their technological transformation, and improving their administration and management so that their output value profit and tax rate reaches 12.6 percent. Vigorous efforts must be devoted to development of economic diversification, primarily in farming and the breeding of aquatic products with the building of bases for the production of "hot selling" products such as cotton, tobacco, fruits, melons, poultry, and livestock. Improvement of agriculture's overall production capabilities can serve as a springboard for energetic development of the rural economy that steadily increases sources of revenue for county and township governments, thereby enabling a fairly rapid rise in rural purchasing power that leads to the provision of ample raw materials and vast markets for the development of industry.

5. Correct Handling of the Relationship Among State, Enterprise, and Individual Interests, Diligently Solving the Problem of Excess Distribution of National Income

(16) *Realistic solution to the problem of excess distribution in the first distribution of national income.*

The situation in which enterprises too much favor individuals in the distribution of income must be resolutely changed. Increase in the total wage bill for staff members and workers should not be greater than the increase in the labor productivity rate and economic returns. In enterprises in which economic returns have dropped, bonuses must float downward. Enterprises that have failed to fulfill either their current year contract norms or their government payment quotas are not to figure wage increases based on returns, nor may they exercise their authority to promote three percent of their staff members and workers. Where losses are due to poor operation, all bonus payments must be halted, and wages lowered between 10 and 20 percent depending on the severity of losses.

Spurious reporting of losses as profits must be strictly halted. Enterprises must withhold and properly use funds of a productive nature in accordance with national regulations; they may not use up their capital. When an enterprise is in danger of incurring losses, government financial units and units in charge at the enterprise should sit down to assess the situation and clarify responsibility for it in order to draw up plans to remedy the situation within a certain time. Enterprises are responsible, in principle, for solving their own problems. They must improve their financial management, strictly enforce cost accounting, making the integrity, the restitution, and the increase in state-owned fixed assets and working capital a part of their contract assessment. They must establish and perfect regular auditing, year end contract auditing, and auditing when personnel leave a position. Enterprises that continue to resort to deception, spuriously reporting losses as profits, are to have all honors and bonuses given them taken back, and responsibility of leaders and persons in charge is to be fixed in accordance with law.

Rectification of entrepreneurial units' and enterprises' hiding of income. When hidden income is found, a reasonable amount should be used for paying the total wage bill. If the amount is unreasonable, it should be confiscated. State entrepreneurial units must enforce nationally prescribed wage, bonus, and welfare standards. They may not indiscriminately hand out money and materials in excess of standards. The distribution of goods in kind, or the issuance of purchase certificates must be strictly prohibited. Those who divert government funds and unbudgeted funds to the indiscriminate payment of bonuses or goods in kind are to be punished for misappropriation of state property. Except for the amounts prescribed by regulations, all income of an administrative nature is to be centrally controlled by the government treasury.

(17) *Active promotion of a government double entry budgeting system.* Beginning in 1992, the government budget is to be drawn up using double entry budgeting. Recurring budgets are to maintain balance between receipts and expenditures with a slight surplus; construction budgets must base expenditures on income, doing no more than financial resources permit. After instituting double entry budgeting, counties that are unable to provide for regular expenditures must reduce the size of government organizations, reduce personnel, and curtail consumption, doing all possible to hold expenditures within the amount of money available. Counties that have no construction funds may use bank loans, government interest discounting, and the recycling of funds. During the next three years, each county is to be responsible for providing between 2 and 3 million in construction funds, mostly for use in agricultural development projects and for projects that can go into production in a short period of time, that are at a suitable technological level, and that provide speedy economic returns.

6. Vigorous Promotion of Grain Procurement and Marketing System, Free Medical Treatment System, and Housing System Reform

(18) *Acceleration of the pace of grain procurement and marketing system reform in accordance with requirements*

for the intensification of agricultural product price and circulation system reform contained in CPC Central Committee Decisions on Improving Agricultural and Rural Work. An important step was first taken in 1992 when the fixed state procurement system was continued, and the fixed procurement price was raised in gradual solution of the problem of too low procurement prices. The state correspondingly increased grain price subsidies for grain supplied at slightly less than the market price to residents of cities and towns (other than those entitled to a military grain ration) in accordance with the principle of removing restrictions on grain dealings. A grain reserve system was set up to regulate and control grain prices and to even out periods of surplus and shortage. The amount saved through reduction of government subsidies was used to make up for losses on grain that had been charged off, as a grain reserve fund, for the building of storage facilities, and for the development of agriculture. At the same time, work was completed step by step in "making detailed land surveys, checking soil fertility, figuring levies on the basis of the number of mu, readjusting tax assessment, and evening out burdens."

Subsidization of nonstaple foods should also be phased out selectively at the opportune times, hidden subsidies changed to open subsidies.

(19) *Reform of the free medical treatment system, linking medical treatment expenditures to individuals' economic interests.* Payment for outpatient services and hospital stays are to be borne by individual staff members and workers on the basis of age and frequency of use. A system is to be established whereby medical treatment is to be provided at certain locations, responsibility is taken for surpluses and deficits, excess payments are not subsidized, and savings are retained for use. A method whereby hospitals take responsibility for medical expenses is to be actively promoted.

(20) *Reform of the housing system.* The commercialization of housing is to be actively promoted in accordance with the principle of shared government, unit, and individual responsibility when leasing, selling, building, or controlling housing. Public housing rents are to be raised moderately, subsidies that correspond to the increases being given staff members and workers. Higher rents are to be collected on housing that exceeds standards. A housing accumulation system fund system is to be actively promoted to encourage staff members and workers to buy their own homes. The state, collectives and individuals are to be encouraged to pool funds to build housing and to build housing cooperatively for the gradual building of a tri-level city, unit, and individual housing fund.

7. Better Control Over Tax Collection; Vigorous Organization of Revenues

(21) *Taxes are the main source of national government revenues and an important lever for macroeconomic regulation and control.* Leadership must be strengthened and tax collection must be straightened out to insure an increase in government revenues so that taxes can better

play an important role in balancing financial receipts and expenditures, and in advancing development of the economy.

(22) *Adherence to tax administration according to law, unification of the tax code, and centralization of taxation authority.* All levels of government and all agencies must enforce a uniform tax code, and act strictly in accordance with the limits of their tax administration authority. Exceeding authority to grant tax reductions or exemptions is strictly prohibited. All rational tax reductions and exemptions, and all preferential policies must continue to be enforced; irrational ones must be scrapped. When the period for reductions or exemptions expires, normal tax collections must be resumed.

(23) *Improvement of tax collections according to law, resolutely plugging all evaporation, escape, leakage, and disappearance of tax revenues.* Tax collections from state-owned enterprises, collective enterprises, from the individually and privately owned economy, and from the three kinds of partially or wholly foreign-owned enterprises must be better regulated. Problems involving the individually and privately owned economy masquerading as collective, school-operated, welfare, and new enterprises in order to cheat on or evade taxes must be diligently solved. A tax control system for the three kinds of partially or wholly foreign-owned enterprises must be established and perfected for collection of tax money that should be paid according to law, and for their inclusion in government budgets at all levels according to the principle of benefits to those that hold shares. Enterprises and projects that are built through partnership investment should make distributions on the basis of their clearly spelled out individual equity, all parties to the investment discussing and deciding the taxes and profits for which they are liable according to the percentage of their investment.

(24) *Tax agents must conscientiously perform their duties, conscientiously enforcing tax collection laws and regulations in order to ensure the timely payment of all national tax revenues into the treasury.* At the same time, they must earnestly improve management of tax collections for the energy and transportation construction fund, the budget regulation fund, and the local agricultural capital construction fund, ensuring complete fulfillment of quotas.

(25) *Governments at all levels must further strengthen leadership of tax collection work, support taxation units in performance of their duties according to law, and do more to build an ideological work style in the taxation system.* Where available resources are insufficient to manage tax collections, they should be augmented. All departments concerned must actively work with tax agencies in the improvement of their tax collection administration. Banks priorities must be "taxes, credit, money, and profit" in that order, insuring the timely deposit of all tax money in the treasury.

8. Better Staffing and Simpler Administration, Cutting Back on Nonproductive Expenditures

(26) The principle to be followed is to build a crack corps that is highly efficient, and to separate government administration from enterprise management. Government and

enterprise administration must be separated, government agencies redirected, functions changed, and personnel administration simplified. Strict control must be exercised over the staffing of government agencies, staffing limited to a fixed number of personnel. Over-strength units must take various actions for gradual reduction of the number of excess personnel. The establishment of new administrative organs, or entrepreneurial units that the treasury funds, as well as the "upgrading" of government organizations is to be done strictly in accordance with pertinent regulations of the CPC Central Committee and State Council after rigorous examination and approval.

(27) *Various ad hoc government organizations are to be scrutinized for disbandment or merger.* A conscientious one-time inventory of ad hoc government organizations of all kinds and at all levels is to be conducted, abolishing those that should be abolished, and merging those that should be merged. Those that must be retained are to be funded out of plan expenditures of the government agency responsible for them. No further funds are to be disbursed by the state treasury. Societies, associations, and funds must provide for their own expenses; the state treasury will no longer be responsible for them.

(28) *Reform of county level government agencies is to be carried out, the watchword being "small government providing large services."*

The decision as to whether to establish a government agency should be made on the basis of the size of the jurisdiction, the availability of financial resources, and the volume of work to be done, and matching organizations should not be set up at every level up and down the line. Agencies and units, cadres and rank and file should be encouraged to open up avenues of production, and to engage in production of a development nature and endeavors of a service nature.

(29) *Prefecture, and provincial agencies should actively operate economic entities and engage in money making activities to pay their expenses. Agencies having the requisite conditions should make a transition from being entirely funded out of budget to being partially funded out of budget, and a transition from being funded partially out of budget to raising and paying its own expenses.* Upon approval, surplus personnel resulting from administrative unit cut-backs to authorized strength may take over operation of, set up, contract, or lease productive enterprises to engage in production and business activities that are in keeping with policies, and that benefit both the nation and the people. Staff members and workers who separate from government agencies to enter economic entities or the service realm may retain their former status, grade, and benefits. Their wages are to be paid by their former unit at the outset, but once the economic entity is on a completely self-sustaining basis, transfer procedures can be worked out.

(30) *Government organizations at all levels that have dual management and administrative functions must gradually become enterprises or other economic entities. Those unable to become entities for the time being are to be permitted a*

temporary period during which they can combine government administration with enterprise management. Once they are on an economically self-sustaining basis, however, they must institute the separation of government administration from enterprise management.

(31) *Control over and curtailment of expenditures of a nonproductive nature.* Administrative institutions are to continue budget responsibility, and steadily amplify and perfect their performance. They must further strengthen control, supervision, and inspection of expenditures, energetically curtail conference expenditures and procurement expenditures, strictly control the purchasing power of social groups, and strictly examine administrative institutions' procurement of small motor vehicles and other high quality consumer goods. The use of public funds for entertainment and gift giving is strictly prohibited. Strict control must be exercised over the use of government funds to build office buildings, conference halls, and public accommodations office buildings, conference halls, and public accommodations.

9. Greater Macroeconomic Regulation and Control of Extrabudgetary Funds; Raising of Construction Funds Through Multiple Channels

(32) *Remedying the construction funds shortage is the key to insuring smooth implementation of the 10-Year Plan and the Eighth Five-Year Plan. During the Eighth Five-Year Plan, more must be done in the way of raising, managing, and using funds. Macroeconomic regulation and control of extrabudgetary funds and all sorts of money funds must be improved; government financial credit must be opened up, and funds must be raised in society through various channels and by various means so as to ease the conflict between supply and demand for construction funds in order to accelerate the pace of economic development*

(33) *Further improvement of control over government production funds.* Unified control is to be instituted over the various production funds and development funds that the government has set up as government credit, making sure that compensation is paid for their use and that they are rolled over for use in one project after another in active support of for the building of local economies and the development of various undertakings in accordance with state industrial policy.

(34) *Establishment of a joint system for checking on extrabudgetary funds and special purpose construction funds.* Administrative and institutional extrabudgetary funds are to continue to be kept in special government savings accounts. Leading government cadres are to take the lead in enlisting the help of planning committees, economic committees, government financial units, and banks to conduct joint examination of large amounts of funds outside budget used in economic construction. They should place such funds under plan control, using means that both help arouse the active participation of all parties and help improve macroeconomic regulation and control while maintaining without change the ownership of the funds, the channels for disbursement of the funds, and the uses to which the funds are to be put. Units in charge are to draw up plans for the use of the foregoing funds. After

submitting these plans to the economic planning, economic, or government financial units concerned for study, they are to permit a joint government examination of the funds. Plans must also be drawn up and submitted for special construction funds disbursed outside government budget, thereby improving control. At the same time, all money funds that have been set up are to be scrutinized, those that make good sense retained and all others eradicated.

(35) *Orientation toward widespread raising of funds throughout society.* Selling of stock shares and the taking in of funds from society through multiple channels are to be used as means of raising funds for the building of projects that are to go into production. For capital construction projects, money may be raised through the issuance of local construction bonds. The shortage of funds for agricultural development projects can be remedied largely by relying on inputs of labor, capital, and materials by the people in the area benefitted as a means of getting around the need to raise funds. In addition, an investment system in which the state, collectives, and individual peasants participate should be gradually established and perfected.

(36) *Better control of local debt, and greater ability to repay debt.* All income obtained from borrowing must be used in the building of production. Compensation must be paid for its use, and a rational balance among long-term, medium-term, and short-term debt must be maintained both in terms of size and make-up. The government is to be centrally responsible for, exercise centralized examination and approval authority over, and supervise the use of foreign debt that governments and administrative institutions at all levels incur. They must gradually set up funds for debt repayment.

10. Adherence to Money Management According to Law, Increasing Budget Restraints.

(37) *Budget control provides important support for the drawing up and smooth implementation of national budgets.* National budget control laws and regulations must be diligently enforced to safeguard the solemnity and the completeness of government financial budget, to increase returns from the use of funds, and to control government deficits.

(38) *The principle of keeping expenditures within the limits of income, and planning expenditures on the basis of revenues must be maintained in drawing up budgets. Budgets must contain an optimum mix of expenditures, must insure that key matters are included, must strive for strict economy, and must aim at producing returns.* Once wages and absolutely necessary expenditures are provided for, a certain amount of money is available for doing a certain number of things without resorting to deficit budgeting. All receipts and expenditures that should be made a part of budget control must be put under budget control. All special expenditures must take account of where the revenue will come from. When revenues decrease, budgeted expenditures must be correspondingly curtailed.

(39) *Once the NPC has approved the government budget, it must be strictly enforced, no additional expenditures made*

except under exceptional circumstances. Requests to make additional expenditures must be subject to government financial sector examination and verification. Such requests must be discussed and decided on by government at the same level. Governments are not to entertain requests not made in accordance with prescribed procedures. Major budget readjustments must be submitted to the people's congress at the local level for decision. An examination and approval system in which a single person is accountable must be maintained to halt all unauthorized expenditures. No department or unit may secretly reduce revenues or increase expenditures without making a report or issuing documents. All such matters are to be discussed by government financial departments in advance and a special report made.

(40) *A national treasury control system that further improves coordination and mutual checks and balances among government finance, tax, and national treasury activities for better control over budget revenues and expenditures.* All government revenues must be turned over promptly and in full to the national treasury without delay or diversion. All expenditures are to be made promptly; they are not to be held up at each level. All revenues withdrawn from the treasury must be approved by the government financial department in accordance with regulations. No department or unit may approve the withdrawal of funds from the treasury on its own initiative.

The task of effecting a fundamental turn for the better in the government financial situation, and readjustments having a bearing on the overall national economy and that affect interests in all regards is a daunting and very difficult one. The provincial government must get leaders at all levels and the broad masses of cadres and the public to unify thinking, to attain a consensus, to focus on the long-term, to subordinate themselves to the common good, to have a high sense of responsibility and a feeling of urgency, to work as one, to do a solid job, to put in place all measures designed to improve the government financial situation, and advance the rapid movement of the province's finances into a benign cycle in order to make a contribution to the second strategic goal of modernization.

Shaanxi Targets "Three Irons" in Enterprise Reform

Vice Governor Addresses Conference

92CE0364A Xian SHAANXI RIBAO in Chinese
1 Mar 92 p 2

[Summary of speech by Comrade Xu Shanlin (1776 1472 2651), vice governor of Shaanxi Province, at the 29 February All-Shaanxi Mobilization Conference on Breaking Free from the "Three Irons" and Converting Enterprise Operating Forces: "We Must Break With the Three Irons and Convert Enterprise Operating Forces in Order To Make a New Breakthrough in Revamping Large- and Medium-Sized State-Owned Enterprises"]

[Text] All of China is now experiencing a rising tide of furthering of reform. It is particularly noteworthy that encouraging progress is being made in the enterprise

reform priority of breaking free from the "three irons" and converting enterprise operating forces, in order to revamp large- and medium-sized state-owned enterprises. The spearhead of this reform is directed at the root cause of our inability to invigorate state-owned enterprises—the "three irons," i.e., the "iron armchairs" (secure positions) of cadres, the "iron ricebowls" (secure jobs) of workers, and the "iron wages" (secure wages) of our distribution system. Breaking with the "three irons" is a reform direction that was set forth clearly by the CPC Central Committee and State Council long ago. As the Shaanxi government has recently decided to mobilize an assault on the "three irons" with the same determination and drive that we used in 1991 to clear away tax office outposts and speed up circulation, we are transferring 100 leading department-level cadres to selected grass-roots units to gain firsthand experience in helping factories break with the "three irons." We will put these leaders to work as models to lead the way in pushing forward vigorously with the reform of converting enterprise operating forces, in order to make a truly broad breakthrough in invigorating large and medium-sized state-owned enterprises.

I. Breaking Free From the "Three Irons" Will Be the Key To Converting Enterprise Operating Forces and Invigorating Large- and Medium-Sized State-Owned Enterprises

The state-owned enterprise management model that has evolved under China's traditional economic system in past decades has many defects. The concentrated expression of these defects can be found in our enterprise personnel, worker employment, and wage distribution systems. In short, it is that cadres sit in "iron armchairs," staff members and workers hold "iron ricebowls," and our distribution system dispenses "iron wages." Practice has proved that the "three irons" are the root cause of the stifling of our staff member and worker initiative and creativity and the suffocating of our enterprise vigor and vitality. As it will be hard for us to deepen reform, invigorate enterprises, raise efficiency, or bring the advantages of socialism into full play unless we eradicate the "three irons," eradicating them will be essential to invigorating enterprises, a task of top priority in arousing the production initiative of cadres, staff members, and workers, and even more so the key to resolving our underlying economic conflicts. Leading cadres at all levels must understand this thoroughly, by diving consciously into the powerful current of reform, in order to guide and expedite it.

While we have conducted many studies and explorations on the issue of deepening enterprise reform in recent years, and the State Council has proposed 20 policy measures to improve the external climate and internal operating forces for enterprises, it seems that the key to success still hinges on changing internal factors and reforming internal operating forces. While a few enterprises have accumulated certain good experiences in this area, most enterprises have still not basically resolved the overall issue. While many factors are involved in this, the most important one is that we have not yet grasped the key issue of breaking with the "three irons." This is precisely the reason why all

of the many steps that we took in the past to invigorate enterprises ultimately accomplished so little. We will firmly set the "keynote" of our 1992 enterprise reform on breaking free from the "three irons," by pursuing it relentlessly, making a concentrated assault, and demanding breakthroughs, in order to achieve substantive results.

A special discussion on revamping large and medium-sized state-owned enterprises was held at a Central Committee working conference in 1991, which was of great economic and political significance. While large and medium-sized state-owned enterprises account for about 70 percent of all industrial output value and provide 70 percent of state revenue in China and Shaanxi, they still generally suffer from little vitality and poor efficiency. This is a major problem that is affecting our whole economy. As we adhere to the political stand that the basic feature of socialism is mostly public ownership, we must either run our large and medium-sized state-owned enterprises well, or it will be hard for us to strengthen the material and technical foundation of socialism, and we will be unable to bring the advantages of socialism into full play. As not running our large and medium-sized state-owned enterprises well would also provide a pretext for people from both China and abroad to attack socialism and vainly attempt to force peaceful evolution on us, revamping our large and medium-sized state-owned enterprises is an extremely crucial matter. Invigorating large and medium-sized state-owned enterprises will require converting operating forces within enterprises, which will require making a "breakthrough" in eradicating the "three irons." Why are factory directors and party secretaries acting in the same old ways when their enterprises are performing so poorly? Why are wages rising and bonuses being issued certainly not less than in profitable enterprises when these enterprises are sustaining losses? Why are factories continuing to produce when enterprise products are slow-selling and overstocked in such great amounts? Why is it impossible to cut back and get rid of even one staff member or worker who is lazy or violates discipline when there is not enough production work and workers are staggering around everywhere? The cause of all of these prevalent and strange phenomena is the "three irons." Unless we break with the "three irons," it will be hard for us to achieve the desired results no matter how much we improve the external climate.

I must also point out here that our 1992 economic work priorities will be to adjust structures and improve efficiency. What effective prescription do we have for reversing the situation of declining efficiency in a large number of losing enterprises? While we have tried many methods in the past, such as consolidating leading bodies, reorganizing enterprises, reducing taxes and conceding profits, and providing support with bank loans, none of them have achieved the desired results, producing neither a sense of urgency and crisis nor initiative and creativity among enterprise leaders and the masses of staff members and workers, all due to the "three irons." Therefore, along with adjusting structures and improving efficiency, we must bet our "stakes" on breaking with the "three irons" and converting enterprise operating forces.

II. Breaking With the "Three Irons" Will Require Us To Further Emancipate Our Minds

System reform is invariably tied to conceptual revision. We have suffered for decades from "everyone eating out of one big pot" and "too much equalitarianism." As this has not only left us with certain deep-rooted and outdated concepts, but even led to certain longstanding misunderstandings about the advantages of socialism, it will be only by emancipating our minds, revising our concepts, clearing up certain specious and muddled ideas, and reaching a consensus that we can win the tough battle against the "three irons."

Some have asked, since socialism ensures food for all, what advantage will be left to socialism once we have broken free from the "three irons?" We must further clarify the issue of whether the "three irons" are an expression of the advantages of socialism, or a defect of the old system that must be abolished. The superiority of socialism is absolutely not the sort of equalitarianism that would spawn a large number of lazy people. The socialist distribution principle is "distribution according to work, with more pay for more work." Its crux is that it encourages honest hard work, invention and creativity, and more contributions, with more pay for more work. In China, where the traditional concept of "being more concerned about inequality than about scarcity" is so deeprooted, how to overcome distribution equalitarianism is a huge task confronting distribution reform, as well as a great problem for the development of socialism. We should indoctrinate everyone with the truth that equalitarianism is absolutely not socialism, but rather something that can only inhibit diligence, protect indolence, and make distribution most unjust. If everyone refuses to let go of their "iron ricebowls" and defends to the end the concept of "everyone eating out of one big pot" for very long, "everyone eating out of one big pot" can only turn into "everyone drinking out of one thin bowl of soup," iron ricebowls can only turn into no ricebowls, and socialism can only become everyone sitting around idle and eating until everything is all used up. This would not only mean no prospects for becoming more prosperous, but would even make it hard to maintain the status quo. This is why we say that "iron ricebowls" are absolutely not the expression of any advantage of socialism, but rather the precise defect of the old system that so urgently needs to be eradicated.

Some have wondered whether breaking free from the "three irons" and giving enterprises the right to fire staff members and workers would shake up the status of staff members and workers as the masters of their own affairs? While it is absolutely undeniable that public ownership of the means of production in socialism means that staff members and workers are the masters of their enterprises, and that an unswerving reliance on the working class is a consistent party and government policy, the status of staff members and workers as the masters means above all that staff members and workers must pay more attention to the prospects and fortunes of their enterprises, by exercising not only the rights, but also the full responsibilities, of the masters. When certain staff members and workers do not work hard, do not make the contributions that they should,

or even violate discipline and the law, so that their actions jeopardize the status of all staff members and workers as the masters, enterprises must have the right to fire them in accordance with the rules. While dropping the "iron rice-bowl" might affect the interests of a few people temporarily, it is absolutely essential and correct as far as safeguarding the overall and long-range interests of the working class is concerned.

Some are concerned about whether breaking with the "three irons" will affect social stability? This concern is not completely unreasonable. The "three irons" have been a severe and lingering illness for too long, being intertwined and involving everyone's interests. While breaking with them might cause a certain amount of shock, as long as leading cadres set the example and begin personally to set forth the situation and reason clearly, we will be able to win the understanding and support of the masses of cadres, staff members, and workers, pool the wisdom and efforts of everyone, overcome difficulties, and endure the shock. We must reach a profound understanding from the high plane of strategy, of the dialectical relationship between eliminating the "three irons" and maintaining stability and unity. Not breaking with the "three irons," which would leave enterprises with neither internal motivation or external pressure, so that they would depend on the state and borrowing to get by, would leave them bogged down for the long term, make it hard to improve economic efficiency or reverse declining revenues, conceal potential instability with superficial stability, and ultimately cause greater instability. While persistently demanding stability in the midst of reform and economic development, we must absolutely not set reform and stability in opposition to each other, or even resort to the negative and passive method of "ensuring" stability through halting reform. Conditions are now very ripe for reform, and deepening of reform accords with the will of the people. As long as we do sound and painstaking ideological work, and strengthen and improve our system of social guarantees, we will certainly be able to improve our economic efficiency through breaking with the "three irons" and converting enterprise operating forces, in order to evolve a new stability based on flourishing growth, great vitality, and genuine order and unity.

III. Policy Measures the Shaanxi Government Is Taking To Break With the "Three Irons"

All areas and departments must vigorously promote and ensure the implementation of the past policies that the central and provincial governments have put into effect to break with the "three irons." Along with the need to deepen enterprise reform, the Shaanxi government has decided to implement the following policy measures in a number of pilot project enterprises:

1. The key people in charge of enterprises that sustain management-related losses may not be transferred out in principle, until their enterprise losses are turned into profits. In enterprises that are unable to reverse their losses within one year starting in 1992, or to meet loss-control goals for three consecutive months in the second year,

factory directors will be relieved on the spot and not permitted to become officials in other areas.

2. In enterprises that sustain management- or policy-related losses, where monthly losses do not meet annual loss-control and reduction goals, the following month's standard wages of members of leading bodies will be docked 15-30 percent depending on degree of loss, with year-end settlement of accounts, and more refunds than subsidies. The standard wages of members of leading bodies will be docked 15 percent in enterprises that sustain 3 consecutive months of new management-related losses, and 30 percent in those that sustain 6 consecutive months of new management-related losses, all the way until the enterprise losses are turned into profits.

3. Wages and bonuses of staff members and workers in losing enterprises will be linked to and fluctuate with loss-control and reduction goals. In enterprises with long-standing management-related losses, all bonuses and floating wages will be stopped, the authority of factory directors to promote 3 percent of staff members and workers will be rescinded, the provision that managers' incomes can be one to three times higher than the average incomes of staff members and workers will be revoked, and the 2 percent overtime wages will be eliminated from payrolls.

In enterprises where new losses are sustained or annual loss-control and reduction targets are not met, the standard wages of staff members and workers will be docked 10 percent where losses are less than 10 percent, 15 percent where losses run from 10-20 percent, and 20 percent where losses exceed 20 percent. These wage reductions can decrease progressively in enterprises that reduce losses through hard work. In enterprises with policy-related losses where loss-control targets are not met, wages and bonuses will fluctuate the same as in those with management-related losses.

All stipulated wage and bonus stoppages or reductions will be deducted from planned payrolls. Losing enterprises that turn their losses into profits can resume regular wage and bonus payments.

Payroll, loss-reduction, and loss-reversal targets for losing enterprises will be evaluated monthly and set quarterly, with year-end accounts settlement linked to fluctuations. Enterprises that report profits but actually incur losses, practice fraud, or pay excessive wages and bonuses, must recover these excessive payments in full, and will be punished according to violations of financial and business discipline.

4. We will break free from the graded wage system, and implement an internal distribution system of mostly wages based on job proficiency. In the 100 pilot project enterprises, we will allow factory directors to use 10-15 percent of payrolls as floating wages, with preferences being given to difficult, dirty, tiring, dangerous, and high-tech jobs, and encouragement to staff members and workers to work on one production line.

Enterprises can also choose diversified forms of internal distribution based on their production operations. All experiments in linking internal distribution directly to enterprise economic efficiency will be allowed, and individual wages will be evaluated monthly and calculated and paid according to workpoints.

5. After enterprises optimize their workforces, surplus personnel will be placed according to the principle of mostly absorption within enterprises with social redistribution as a supplement, with enterprises making appropriate placements mostly through tapping latent internal production potentials and adopting diversified measures. We will set up sound unemployment and labor markets within factories, and provide job-transfer training and new placements for personnel who lose their jobs. Qualified enterprises can set up dynamic labor management transfer agencies, to undertake the task of training and placing surplus personnel.

Staff members and workers who have lost their jobs and are training for new ones will be paid their standard wages for 1 year, after which, those who are still not job-qualified will be issued basic living costs by enterprises according to the worker unemployment insurance funds in the current labor contracts. Enterprises can fire unemployed and surplus personnel who do not submit to placement.

6. We will provide unemployment insurance to the staff members and workers from the few enterprises that are approved to be closed down. We will pay unemployment insurance compensation based on seniority, with stipulated wages being paid for 6 months to those with less than 3 years of service, for 12 months to those with 3-5 years of service, and for 18 months to those with over 5 years of service.

7. Unemployed workers in enterprises that are in a state of suspended or semi-suspended operation will be paid relief funds by their enterprises. Monthly relief payments per person will be at least 50 yuan in Xian, at least 45 yuan in Baoji, Xianyang, and Tongchuan, and at least 40 yuan in other county towns.

8. The departments in charge of all enterprises, such as industrial, commercial, and foreign trade, will be made responsible for combating the "three irons," converting operating forces, and improving efficiency. In directly subordinate enterprises that are unable to meet expected goals, the responsibility of leaders in responsible departments will be investigated and affixed.

IV. The Leadership Will Take Command and Cooperate in Every Way in the Assault on the "Three Irons"

Breaking with the "three irons" is a serious and long-standing problem that we have talked about for many years but never been able to solve. Today, we are determined to make a breakthrough. In order to succeed in this formidable task, the leadership will have to take command, work genuinely and sincerely, cooperate with all parties, and overcome all difficulties.

The leadership taking command means that leaders will have to pitch in in person, by serving as both commanders

and fighters in the battle against the "three irons," instead of merely listening to reports and directing things from the top by remote control. The Shaanxi government is announcing at this conference the list of names of the 100 department-level leaders who are being sent down to enterprises to take personal command, by staying at selected grass-roots units to gain firsthand experience in helping factories combat the "three irons." This group of leading cadres will go deep among the 100 enterprises, staying there to command the work for about 1 month. Their major tasks will be to help and to spur things on. This so-called help will mean providing guidance and help to enterprises that have already launched the battle against the "three irons," by providing more impetus, speeding up the pace, helping enterprises to solve actual problems encountered in the course of combating the "three irons," and summing up experiences in the fight against the "three irons." The so-called spurring things on will mean spurring on enterprises that have not yet launched the battle to go into immediate action to make substantive progress in breaking with the "three irons" and converting operating forces. The Shaanxi government is making the following five demands on these comrades who are being sent down to help enterprises: 1) All units are being required to send down picked leaders with no exceptions, particularly key cadres who are broad-minded, professionally competent, and capable workers, with each department head being allowed to take along two or three cadres. 2) They will have to go deep into the realities of things, and truly stay at the grass-roots level instead of remaining on the surface, and leading cadres will not be allowed to simply act in name without going into battle in person. 3) They will have to meet difficulties head-on and look into real problems instead of avoiding conflicts and covering up problems, and will be required to achieve substantial results. 4) They will have to conduct good studies and investigations, sum up and promptly popularize successful experiences, act as leadership models, and guide the work in person. 5) At the end of March, every department head who was sent down will have to personally write a report on their progress in combating the "three irons," and submit it to the work report department of the Shaanxi government general office. On the basis of these reports, we will study and draw up specific plans for an all-out battle against the "three irons," and then push forward with a full-scale attack throughout Shaanxi.

This battle against the "three irons" will mean both eradicating and establishing things. Eradicating "iron rice-bowls" will require establishing the contract system for all personnel, eradicating "iron armchairs" will require establishing a cadre appointment system, and eradicating "iron wages" will require establishing a wage system based on job proficiency. These "three eradications and three establishments" will be a fundamental reform. This will mean conducting thorough and meticulous ideological and political indoctrination, while taking an unswervingly clear-cut stand. Instead of avoiding conflicts, we must explore boldly, dare to make innovations, and refuse to be satisfied easily. We must not be afraid of problems or of taking risks because, as long as we remain clearheaded and adept at

summing up lessons learned from experience, we will make steady progress and improvements. Once the "three irons" have been eliminated, the general conversion of enterprise operating forces has been made, and the government's functions have been transformed correspondingly, how and to what extent will the government control enterprises? These are issues that we must study and explore quickly and resolve promptly, instead of letting government departments stick to the conventional ways of doing things and become obstacles to reform, while enterprises are trying to break free from the "three irons." The battle against the "three irons" will be a comprehensive one involving many aspects. As it will be bound to cause a chain reaction in all links, areas, and levels of our whole society and economy, it will make new demands on all sectors and overall economic reform for prompt formulation of various accessory measures to give enterprises something to rely on while it is going on. For instance, taking away "iron armchairs" will mean that organizational and personnel departments will have to draw up new policy provisions as quickly as possible, so that we can actively push forward with cadre personnel system reform in Shaanxi, and gradually establish a sound new enterprise cadre personnel system that is suited to the operating forces of a socialist planned commodity economy and Shaanxi's realities. Appropriate placement of staff members and workers from closed down enterprises, and of those who have been cut back and dismissed during workforce optimizations, will mean that labor departments must draw up the relevant management regulations and take the necessary steps to help these staff members and workers find new jobs. As to those few who wilfully make trouble because they have been cut back and dismissed, judicial and public security departments must exercise better indoctrination and control, in order to back up enterprises. Sectors, such as state revenue, taxation, and banking, must promptly raise funds for reversing losses and increasing profits, in order to create the necessary material conditions for enterprises. All concerned departments, offices, sectors, prefectures, and cities must join in a concerted assault against the "three irons," in order to ensure that this reform is carried out systematically, positively, and safely.

In order to ensure the smooth implementation of this break with the "three irons," we hope that the comrades from the news media will go into action, by enhancing and increasing their media propaganda, in order to create strong public opinion and a good atmosphere throughout Shaanxi for breaking free from the "three irons." We must publicize the real achievements made in breaking free from the "three irons," in order to help the broad masses of cadres and people understand the great significance of breaking with the "three irons," and to realize that it is only through such reforms that we can develop socialism, stimulate the powerful drive that is necessary to increase production, and achieve the great objectives of becoming prosperous and realizing the four modernizations. Concerned departments must widely mobilize and organize the broad masses of cadres, staff members, and workers to hold general discussions on breaking with the "three

irons," allowing the masses to learn from themselves and the facts, in order to speed up the evolution of a good macroclimate for breaking with the "three irons." We firmly believe that as long as we follow this path unswervingly, Shaanxi's large- and medium-sized state-owned enterprises will certainly be able to free up their enormous vitality, improve their economic efficiency greatly, and make the proper contribution, worthy of their standing and might in our "national team," to reverse Shaanxi's declining revenues and realizing the cause of socialist modernization!

Reporter Commentary on Three Irons Situation

92CE0364B Xian SHAANXI RIBAO in Chinese
2 Mar 92 p 1

[Article by Wu Shu (0702 2885): "There Is No Hope for Enterprises Except Through Reform"]

[Text] The contrast in the material imbalances that appeared between regions and enterprises in Shaanxi in 1991 is becoming increasingly sharper. While most enterprises that began to reform sooner are achieving better economic efficiency and an increasingly improved growth momentum, others that were overcautious and indecisive, kept to conventional ways of doing things, were slow to begin to reform, or even had groups that were not united and counteracted each other's efforts, are suffering from slumping operations and declining efficiency. This sharp contrast has brought the leaders of the Shaanxi Materials Bureau to the conclusion that there is no hope for enterprises or opportunities for individuals except through reform.

The Shaanxi government has created an extraordinarily liberal policy climate for circulation industries through its "Resolution On Certain Issues Involved in Further Invigorating Circulation" and a series of related policy measures. It could be said that the policy-related problems and external difficulties that had been encountered in materials management in recent years have been basically resolved, and that all of the desired policies are in place. While these have presented equal reform opportunities for all enterprises, the crucial difference is between those that have taken advantage of them and those that have not. Some enterprises have dived into the great wave of reform, daring to experiment boldly, which is the case with the Huxian County Materials Bureau. It has focused its efforts on converting internal operating forces, grasped the crucial task of breaking free from the "three irons," and pushed forward with reform boldly and resolutely. It has dared to use the most qualified cadres and workers, with eight of its current enterprise leading cadres having been selected out from the workers. It has linked wage distribution to sales and profits, by practicing totally and partially floating wages and venture guarantees, which has widened distribution grades in one stroke, so that some staff members and workers are receiving annual bonuses of 4,000-5,000 yuan, while others are not even making basic wages. The establishment of such incentive forces is no longer rare among Shaanxi's materials enterprises, as urban materials bureaus in some dozen counties, such as Hanzhong,

Mianxian, Fugu, Ankang, and Binxian, are in the forefront of reform. Meanwhile, leaders of other enterprises have been slow to change their ideologies and ideas, lacking a reform development mindset, and even engaging in internal squabbling. One county in the Yulin region had been running things well for some years. But in 1991, as its former bureau director and deputy director were not united and were counteracting each other's efforts, it did not have reform on its mind, no one was taking care of running things, and it did not do the business that was delivered to its doorstep, its sales turnover fell in one stroke from 3 million yuan in 1990 to 500,000 yuan, and it sustained losses of 200,000 yuan. In another county materials bureau in the Shangluo region, two bureau directors had each formed gangs that were engaged in a fierce "civil war," which had developed from cursing each other into fisticuffs, and even eventually to the use of homemade guns. It was only after county officials had fired and transferred the two directors and assigned a new leading body that its operations finally began to improve. The facts show that the basic opportunity for enterprise development is reform focused on converting operating forces within enterprises.

While reform may face difficulties and obstacles, the important thing is to begin, which requires determination and boldness by leaders at all levels. In enterprise reform in 1991, the Sanyuan County Materials Bureau fired several incompetent managers and deputy managers on the spot, of whom some rushed to complain to the county authorities, others tried to use pull, and yet others threatened to get even with the leaders of the county materials bureau. But as the materials bureau held out tenaciously with the support of the county party committee and government, the companies that had been in slumps have made great changes and are experiencing rising efficiency just 6 months later, with the people who had been resisting reform being sincerely convinced that it is the thing to do. The next step is to conduct conscientious propaganda indoctrination and ideological mobilization, in order to create a good climate for reform of operating forces within enterprises. The Shaanxi Timber Company's Lianhuasi Lumber Mill held four general meetings of its staff members and workers beginning in December 1991, at which it widely publicized central and provincial reform measures, emphasized the advantages of reform, settled the masses' ideological concerns about reform measures, and enhanced the economic capacity of the masses to undertake reform. By January 1992, this mill had successfully linked individual wages to duties, and had broken free from the distribution system of "iron wages" and everyone getting a share of bonuses. This shows that mobilizing the masses to play an active role in reform is an indispensable matter, because public support is the major guarantee of reform success.

Commentary Calls for Workers To Lead

92CE0364C Xian SHAANXI RIBAO in Chinese
4 Mar 92 p 2

[Article by Deng Sulian (6772 4790 5571): "The Working Class Should Take the Lead in Combating the Three Irons"]

[Text] The task of experimenting with wages based on job performance, which has now begun in some enterprises, is an underlying reform to invigorate large and medium-sized enterprises and break free from staff members and workers "all eating out of their enterprises' one big pot." Fact-finding questionnaires show that while over 90 percent of staff members and workers totally support and approve of the current struggle against the "three irons," a few are still worried about it, with some having doubts that reform can succeed, and others not even understanding what it is all about. This is expressed mostly in the following three ways:

1. A lack of understanding: This is seen mostly in certain slightly older staff members and workers who feel that, even though they worked with all their might on the frontline of production when they were young and strong, they have been reassigned to soft jobs now that they are aging and susceptible to illness, while the best wages are going to those doing difficult, dirty, tiring, and dangerous jobs, so that they are getting the worst of it.
2. A lack of approval: These people feel that the superiority of socialism is that care during childbirth, old age, and illness, as well as burial arrangements, are all guaranteed by enterprises, and that everyone should receive equal pay no matter what jobs they perform, without which there would be no advantage to socialism.
3. Misunderstanding: These people feel that since wages based on job performance is pay according to work, they should be paid according to how much work they do, and do only as much work as they are paid for.

The major reason for such deviant views is the lack of a correct stand on reform. While some staff members and workers are very unhappy about phenomena, such as "all eating out of one big pot," "showing up for work without actually working," and "carrying on whatever the consequences," whenever they are asked to truly break free from "all eating out of one big pot" and to genuinely practice "pay according to work," they act out of personal interests in deciding whether reform is correct or not. In the final analysis, these people are still stuck with the mindset of "all eating out of one big pot" and "absolute equalitarianism." Other comrades misunderstand socialism, regarding certain nonsocialist components as self-improvements and self-adjustments of the basic socialist system. Another tiny minority of staff members and workers have even forgotten that reform is in adherence to the four basic principles, feeling that the spirit of selfless contribution and wholehearted service to the people should be encouraged under all circumstances, and that "money" can certainly not solve everything.

While this reform involves the vital interests of all staff members and workers, it is even more so an underlying ideological reform. As reform progress entails ideological uncertainty, misunderstanding, psychological shock, and emotional "labor pains," it can neither be accomplished smoothly all in one step, or even less so occur "automatically." All staff members and workers must truly display

the exemplary qualities of the working class, by considering the overall situation and long-range interests, putting themselves in a correct relationship to the state and collectives, abandoning narrow considerations of personal gain or loss, bringing their roles as the masters into full play, and daring to take the lead in reform.

Systematic Problems Outlined

92CE0364D Xian SHAANXI RIBAO in Chinese
4 Mar 92 p 3

[Article by Kang Fang (1660 2455) and Xiong Jinfang (3574 6855 5302), affiliated with the Coordination Office of the Chengcheng County Coal Supply and Marketing Company: "The Way To Revamp Large and Medium-Sized State-Owned Enterprises Is To Accelerate Reform and Convert Operating Forces"]

[Text] Since the Central Committee working conference in 1991, it should be said that the whole party and society have reached a consensus on the importance and urgency of invigorating large- and medium-sized state-owned enterprises. So how is this to be accomplished? Leading Central Committee comrades have recently reemphasized the need for more and accelerated reform. As some enterprises in Shaanxi, particularly those that have taken the lead in experimenting with reform of operating forces, are maintaining a sustained growth momentum, this shows that the key to revamping large- and medium-sized state-owned enterprises is making the decision to reform the management system by focusing efforts on converting internal operating forces.

Converting operating forces means turning enterprises into genuine economic entities that have independent management decisionmaking power, are responsible for their profits and losses, have self-development and self-restraint forces, and are market-oriented. Such forces are mostly the three of management operating forces, self-incentive forces, and restraint and growth forces.

Management operating forces are ones that are market-oriented, guided by science and technology, and focused on improving efficiency, as opposed to the old rigid model of centralized management and administration. Realizing such forces depends on setting enterprise operating goals. The operating goal of socialist enterprises as commodity producers and managers should be to earn the most profits. This means creating the following two most fundamental conditions for enterprises: 1) Enterprises must have independent production and management decision-making power, including that over investment. This means implementing the "Enterprise Law" to the letter, and conscientiously devolving all of the powers that it legally grants to enterprise factory managers (directors), as well as other powers that the provincial party committee and government have granted to enterprises. 2) Enterprises must have the necessary self-accumulation capabilities for expanded reproduction. This means adhering to the principle of "guaranteeing revenues through taxation, and invigorating enterprises with profits," by allowing enterprises to keep most of the profits that they earn through their own efforts. As management operating forces can

only evolve gradually through deepening of reform, all enterprises must be allowed to explore various paths to this end based on their actual conditions. For instance, they could take the path of building "three-wheel"-drive operating forces, by making a coordinated process of markets, science and technology, and management, they could build regulation forces for production development, by constantly optimizing their product mix according to market demand, or they could build incentive forces for technological progress, by contracting scientific research, production, and marketing in a connected sequence.

Self-incentive forces are operating forces that are centered on distribution according to work, focused on workforce optimization, and based on cultivating a business mentality, with the key being to break free from "iron armchairs," "iron ricebowls," and the equalitarianism of "all eating out of one big pot."

The internal goal of developing such forces is to bring the initiative and creativity of the masses of staff members and workers into full play. This will require not only continuing with positive encouragements, but even more so under current conditions paying attention to negative incentives, i.e., forcing the establishment of a sense of responsibility for risks. This will require the following four related external conditions: 1) Giving enterprises independent decisionmaking power over worker employment. 2) Allowing enterprises to set their own forms of internal distribution within fixed payrolls. 3) Establishing a public unemployment insurance system. 4) Giving legal protection to the right of enterprises to fire staff members and workers for discipline violations. As the state has already clearly set forth these four conditions, the key to realizing them will be conscientious implementation by governments and departments at all levels. Self-incentive forces include those in the following three areas: 1) A labor employment system that allows for hiring and firing, as well as promotion and demotion. A key reason why large- and medium-sized state-owned enterprises are not as vigorous as joint-venture and township enterprises is the difference in their employment systems. State-owned enterprises need to firmly reform their personnel and labor systems, by practicing an appointment system for all cadres and a contract system for all workers, acting in accordance with the principles of public recruitment, equal competition, two-way choice, and workforce optimization, and hiring workers according to strict proficiency assessments and competition, in order to form internal forces for the rational disposition of workforces and elimination through competition. 2) An internal distribution system of more pay for more work, rewards for diligence, and penalties for indolence. The distribution of wages and bonuses within enterprises must reflect the spirit of more pay for more work, rewards for diligence, and penalties for indolence, by widening distribution pay grades. Those who are responsible and make positive contributions should be rewarded well, while those who cause enterprise losses through negativity and indolence should be penalized. We must strictly control floating wages and promotions, firmly eliminate the trend of everyone sharing in bonuses, pay higher wages for better work, and issue rewards and

penalties based on achievement assessments. We must actively test a wage system based on job performance, vary worker pay according to jobs and proficiency, and slant wages toward jobs that require high performance, strength, responsibility, and poor work environments. 3) Incentive forces that bring personal honor when one's factory prospers, and personal disgrace when one's factory declines. As the wellspring of enterprise vitality is bringing the initiative and creativity of individual workers into full play, we must rely wholeheartedly on the working class, guarantee the status of staff members and workers as the masters, and deal with key problems through discussions at staff conferences. We must focus our ideological and political indoctrination on the entire production and management process, vigorously promote management focused on the individual, and energetically cultivate an enterprising spirit.

Restraint and growth forces are operating forces that are focused on fund investment orientation and decision-making form, use the method of management through internal oversight, are based on a target responsibility system, and are aimed at changing the defect of centralized state responsibility for enterprise profits and losses.

The goals of building such forces within enterprises are self-restraint, self-development, and responsibility for profits and losses. This will require the following major external conditions: 1) Allowing enterprises to deduct more technological development funds and appropriately speed up depreciation. 2) Giving enterprises more authority over investment and setting of product prices. As state-owned enterprises are now actually responsible for their profits but not for their losses or risks, managers, staff members, and workers generally lack a sense of competitiveness, risk, and the necessary restraints. In order for large- and medium-sized state-owned enterprises to become more vital under fixed external conditions, they must take the following positive steps to build restraint and growth forces: 1) They must formulate long-range operating strategies and application plans, in order to ensure steady long-term growth. As soon as difficult-to-reverse management-related losses occur, enterprises should voluntarily "step on the brakes." 2) They must strictly observe national laws and decrees and financial discipline, and put an end to "overdistribution" and reporting of profits when they have actually incurred losses. They must set aside a fixed percentage of their retained profits as contract risk funds, with staff members and workers putting up a fixed amount of venture guarantees in line with their responsibilities, in order to evolve forces to make enterprises responsible for their losses. Moreover, they must establish enterprise wage reserve funds for making up possible future shortages, in order to gradually evolve self-regulation forces for consumer fund distribution. 3) They must firmly practice the factory director and internal target responsibility systems, in order to constantly enhance their business management.

The key to operating forces conversion is deepening of reform. We can only truly invigorate enterprises as cells of the economy through carrying out macroeconomic

reform in close coordination with reform within enterprises. As far as Shaanxi's leading experimental enterprises are concerned, deepening of reform will mean emphasizing the following four tasks: 1) Standardizing state macroeconomic control over enterprises. 2) Establishing and perfecting the socialist market system, and deciding to make enterprises more market-oriented. 3) Stressing the main points of breaking free from "iron ricebowls," "iron armchairs," and "all eating out of one big pot" in enterprises. 4) Constantly exploring new ways of converting operating forces. As to methodology, we must be a little bolder on one hand, by not fearing to make mistakes, and changing when we do, while being a little more cautious on the other, by preserving the continuity of party policies and principles and dovetailing all policy measures, in order to prevent great shocks.

Departments Initiate Action After Conference

92CE0364E Xian SHAANXI RIBAO in Chinese
4 Mar 92 p 1

[Article by Hu Meiyu (5170 5019 1342): "The First 18 Department-Level Shaanxi Leaders Are Sent Down to Enterprises To Take the Lead in the Assault Against the Three Irons"]

[Text] The Mobilization Conference On Breaking Free From the "Three Irons" and Converting Enterprise Operating Forces, which was held by the Shaanxi government on 29 February 1992, has aroused a strong response among all provincial-level departments, with some departments and offices calling meetings of party organs that very night to discuss acting in the spirit of the conference, by determining the personnel in the group to be sent down to stay at selected grass-roots units to gain firsthand experience. The Shaanxi Petrochemical Department drew up that day the job responsibilities and proficiency assessment rules for the personnel to be sent down, and its deputy director, He Yongde [6320 3057 1795], led a group down to the Weihe Chemical Fertilizer Plant that evening. Cai Songyao [5591 7313 1031], deputy director of the Shaanxi Metallurgy Department, also went down that same day to the Shaanxi Precision Alloy Plant to take part in its mobilization conference on breaking free from the "three irons." The director of the Shaanxi Building Materials Office also took a group down to enterprises.

By the morning of 3 March, 18 department-level leading cadres from 10 provincial departments, such as the Metallurgy Department, the Building Materials Office, the Commerce Department, the Coal Department, the Machinery Department, the Petrochemical Department, the Transportation Department, the Farm Machinery Office, the Supply and Marketing Cooperative, and the Shaanxi Construction Corp, had taken groups down to 18 enterprises to begin work. The Shaanxi government demanded that all of the announced 100 department-level cadres go down to their designated enterprises within the week, in order to help enterprises break with the "three irons," convert operating forces, and improve efficiency.

City Targets 'Do-Nothing' Cadres

92CE0364F Xian SHAANXI RIBAO in Chinese
4 Mar 92 p 1

[Article by Cao Gailiang (2580 2395 5328): "Weinan City Takes Real Action in Eliminating Iron Armchairs By Removing the Official Black Gauze Caps of More Than 10 Do-Nothing Officials"]

[Text] "Do-nothing officials" who are lacking in initiative and overcautious do not get away with such behavior in Weinan City. Around the time of the 1992 Spring Festival, over 10 township, government, and enterprise leaders with mediocre official career achievements lost their "official black gauze caps."

Weinan City, which relies mostly on agriculture, has over 500 cadres above the deputy section chief level, more than one-half of whom are township cadres. They have led the masses in making marked contributions to the building of the "two civilizations" (material and spiritual). While some have received central and provincial citations for their work, a few other leading cadres still think that their jobs are to stay in the middle of the road, i.e., "even though they have no prospects for being promoted to jobs in the cities, they can continue on as officials as long as they do not make mistakes." For instance, one township leader would not be called out of his house by the head of the socialist education team who was running around in circles trying to study the job that he was doing. Faced with this problem, the Weinan municipal party committee did not wait to investigate and verify it until his term of office had expired, or worry about the "impact on morale," but immediately flashed him a "yellow light," and set a deadline for him to straighten up. When it was discovered through a longer follow-up investigation that he was still not doing a conscientious job, he was finally dismissed. Organization department statistics show that 15 such cadres have been demoted or dismissed since their terms of office expired mostly around the time of the Spring Festival.

As strict organizational procedures were followed to give officials time to correct their mistakes, in addition to the fact that the municipal party committee leaders and organization and personnel departments did a good job all along of ideological indoctrination of demoted and dismissed cadres, not only was the stability of the cadre ranks maintained, but a spirit was aroused among them of unity, progress, pragmatism, and pioneering. Almost 1,000 cadres were sent down to the grass roots during the fourth socialist education movement, of whom over 95 percent followed orders without a word of protest. The cadres who were demoted or dismissed and lost their "iron armchairs," recovered their vigor and submitted to the organizational testing. It is understood that three of them were "reinstated" after they redoubled their efforts.

Editorial Urges Acceleration of Opening Up

HK2904122592 Nanchang JIANGXI RIBAO in Chinese
26 mar 92 p 1

[Editorial: "Advancing from Our Province to the Whole Country and the World—Making Efforts to Speed up Our Province's Opening Up to the Outside World"]

[Text] The recently held plenary meeting of the Central Political Bureau stresses that we must firmly and unwaveringly implement the basic line of "one center, two basic points," seize on the present favorable opportunity, speed up the pace of reform and opening up, and concentrate our efforts on boosting our economic construction to continue the march along the socialist road with Chinese characteristics. The spirit of the central authorities is extremely important. In accordance with the demand set by the recently concluded fourth plenary meeting of the ninth provincial CPC Committee, we must do all we can and work hard to fully implement the spirit of the central authorities. Here, a very important aspect is that we must promote opening up to the outside world as a basic national policy, and carry out "large-scale opening up" to open the gate of our province wide in all directions.

Ours is an inland province close to coastal areas. The southern part of our province is a forward hinterland of Guangdong and Fujian provinces, which have been standing in the forefront of reform and opening up in the whole country, and which have been developing their economy very rapidly. The northern part of our province is close to Chang Jiang, and an important component part of the Chang Jiang economic development belt headed by Pu Jiang. Such a geographic location and economic status represent a favorable opportunity and challenge to our province's opening up to the outside world. We must seize on the present beneficial conditions and favorable opportunity, explore our way forward, and push on in the flush of the favorable situation to fully invigorate our province's economy. Our province has its own unique strong points, and is rich in natural and manpower resources. How should we exploit these strong points and pay attention to solving the difficulties arising on the road of advance? It is very important for us to make use of more funds, technology, talented personnel, and markets of foreign countries and other provinces. The world today is an open world. Only by merging its economic development into the larger cycle of the international economy can a country realize its economic take-off and modernization. Therefore, whether we can effectively expand opening up and open the gate of our province wide is a key which determines our province's smooth economic development. It affects the overall situation of our province's reform and construction.

It is necessary for us to further strengthen economic and technical cooperation with foreign countries, actively and effectively attract foreign capital, import advanced technology, expand foreign trade, and increase our capability in international exchanges and competition to push in a big way our province's economy to the international economic arena. In the meantime, we must open our door wide to the entire country. Adhering to the guiding principle of "supporting, following up and taking over," we must expand our exchanges and cooperation with those coastal provinces and cities, and make efforts to learn from their advanced experiences to promote our province's economic development by leaps and bounds. Various prefectures, cities and counties in our province must also

strengthen their lateral ties in terms of resource exploitation, key construction projects and technical transformation, to promote and complement each other. In accordance with the spirit of the relevant policy decisions of the provincial CPC Committee and provincial government, Ganzhou prefecture must open its southern door wide through deepening reform in the experiment zone. In the construction of the Nanchang-Jiujiang industrial corridor, the northern part of our province must fully make use of the favorable conditions of the Jiujiang port which is opened up to foreign shipping, and the construction of Beijing-Jiujiang railway to vigorously develop an export-oriented economy. Through the establishment of a large market in the east and the comprehensive experiment of agricultural and industrial reform in Yichun prefecture, the eastern and western parts of our province must stride into both domestic and international markets. With regard to the 18 counties which are conducting experiments in expansion of decision-making powers, they must vigorously promote external exchanges in the course of enlivening border trade. While carrying out experiments in comprehensive economic structural reform, Zhangshu city must promote "large-scale opening up" in the central part of the province. In a word, the southern and northern parts of the province must open their doors wide, and so must eastern and western parts. Eastern, southern, western and northern parts must be opened up to the outside world. All localities, whether they are urban or rural areas, plain or mountain areas, border areas adjacent to fraternal provinces and cities, or the central part of our province must take the road of expanding their opening up.

Thinking is a precursor of action. To expand opening up, we must, first of all, emancipate our thinking. Without emancipating our thinking, opening up is only empty talk. At present, the "leftist" stuffs are deeply rooted. We must be on the alert for rightist tendencies, but mainly we must guard against "left" tendencies. For example, opening up must conform with the demand of the international economic arena, and we must reform those ossified systems which bind us hand and foot. These things hamper the development of our productive forces. The "leftist" thinking, however, treats them as "socialist" and stick to them. It does not dare to touch or change them. While promoting opening up, we must make use of more foreign capital, technology, and markets to develop socialism. "Leftist" thinking maintains, however, that it is tantamount to "introducing and developing capitalism." It prohibits experiments and popularization of these things. Without emancipating our thinking, we do not dare to say or do things which have not yet been said or done by others. We do not even dare to say or do things which have been done by the Shenzhen, Zhuhai, and Xiamen Special Economic Zone, and which have been proven beneficial to the development of productive forces in practice. Since the third plenary session of the 11th CPC Central Committee, our province has done a great deal in the emancipation of our thinking, and this has played a very important role in promoting reform, opening up, and economic construction. We must further find out where we lag behind and must emancipate our thinking. At present, in conjunction

with the implementation of the spirit of the central authorities and the provincial CPC Committee, we must conscientiously study a series of Comrade Deng Xiaoping's important expositions on building socialism with Chinese characteristics to conduct a self-education in reform and opening up. This will enable everyone of us to understand that the criterion for judging the "socialist" or "capitalist" nature of things should be based on whether it is beneficial to the development of the productive forces of our socialist society, to strengthening comprehensive national power of our socialist country, and to the improvement of our people's living standard. With regard to those things which conform with such criterion of "three benefits," we must do them boldly to hew our way out. We need not have any doubts, or misgivings whatsoever.

To attract more foreign capital, technology, and facilities for our own use, we must vigorously improve our soft and hard environment for investment. We must make efforts to develop a good climate for opening up just like "planting Chinese parasol trees well to attract phoenixes." Various localities and departments must conform with the demand of opening up to truly improve their work style, enhance their work efficiency, simplify procedures for examining and approving investment projects, and do more practical work. It is necessary to vigorously strengthen the construction of basic facilities, including energy, transportation, and communications to provide our investors with comprehensive services. In recent years, various localities have done well in expanding opening up and promoting cooperation with foreign countries through various forms and channels. They have achieved good results in this regard. In the future, they must further make use of various beneficial conditions and natural resources of our province to serve opening up. The work in this regard must be done in a still better way.

Our success in opening up is inseparable from stability. Thanks to the efforts made by the entire party of the people of the whole country, we have won a favorable situation of political, economic, and social stability. This has resulted from our efforts to take economic construction as a center, uphold the four cardinal principles, and persist in reform and opening up. In the future, we must continue to do two types of work simultaneously, implement the party basic line comprehensively, strengthen building of the socialist spiritual civilization, democracy, and legal system, and consolidate and develop the political situation of stability and unity to create still better conditions for opening up to the outside world.

We are facing a favorable opportunity for opening up. Opportunity knocks but once. Under the leadership of the CPC Central Committee with Comrade Jiang Zemin as its nucleus, let us go all out, make progress, struggle hard, seize on the favorable opportunity, and truly grasp our work in a down-to-earth manner to advance with a still greater strides from our province to the whole country and the world.

INDUSTRY

Light Industrial Output by Area, Jan-Mar

HK2804115592 Beijing CEI Database in English
27 Apr 92

[Text] Beijing (CEI)—Following is a list of the light industrial output value by area in China in January-March period of 1992, released by the State Statistical bureau:

| (unit: 100 million yuan) | | | |
|--------------------------|---------|----------|----------------------------|
| Area | 1-3/92 | 1-3/91 | change over 1-3/91 (pc) |
| Total | 2975.47 | 25555.25 | 16.4 |
| Beijing | 79.74 | 72.22 | 10.4 |
| Tianjin | 73.17 | 66.05 | 10.8 |
| Hebei | 107.94 | 94.65 | 14.0 |
| Shanxi | 29.29 | 27.33 | 7.2 |
| Inner Mon- golia | 25.98 | 21.88 | 18.7 |
| Liaoning | 102.62 | 94.30 | 8.8 |
| Jilin | 51.76 | 46.48 | 11.4 |
| Heilongjiang | 69.58 | 66.59 | 4.5 |
| Shanghai | 236.12 | 209.99 | 12.4 |
| Jiangsu | 375.39 | 328.36 | 14.3 |
| Zhejiang | 240.06 | 194.45 | 23.5 |
| Anhui | 86.60 | 73.47 | 17.9 |
| Fujian | 84.22 | 70.89 | 18.8 |
| Jiangxi | 49.31 | 40.67 | 21.2 |
| Shandong | 260.04 | 214.18 | 21.4 |
| Henan | 114.81 | 95.49 | 20.2 |
| Hubei | 115.61 | 105.96 | 9.1 |
| Hunan | 74.93 | 64.72 | 15.8 |
| Guangdong | 387.99 | 309.64 | 25.3 |
| Guangxi | 73.98 | 61.47 | 20.4 |
| Hainan | 12.58 | 10.31 | 22.0 |
| Sichuan | 136.77 | 120.38 | 13.6 |
| Guizhou | 21.50 | 18.41 | 16.8 |
| Yunnan | 58.62 | 51.08 | 14.8 |
| Tibet | | | |
| Shaanxi | 44.02 | 41.07 | 7.2 |
| Gansu | 19.27 | 17.63 | 9.3 |
| Qinghai | 3.09 | 3.13 | -1.3 |
| Ningxia | 4.58 | 3.99 | 14.8 |
| Xinjiang | 35.60 | 30.25 | 17.7 |

Note: Industrial output value is measured in 1990's constant yuan.

POPULATION

Article Analyzes Birthrate Decline

92CE0408A Beijing ZHONGGUO TONGJI XINXI
BAO in Chinese 5 Mar 92 p 1

[Article by Jia Dechang (6328 1795 2490): "Socio-Economic Development Gives Impetus to Planned Parenthood. Childbearing Level of Nation's Women Shows Marked Decline. Total Birthrate Declines from 2.73 in 1979 to 2.25 in 1989"]

[Text] State Council Demographic Survey Office staff member Ji Yonghua [1323 0737 5478] recently provided a research report showing marked achievements in the nation's planned parenthood work since the advent of reform and opening to the outside world. On top of a marked decline in births among women of childbearing age during the 1970's was another marked decline in the 1980's. The total birth rate for the nation's women fell from 2.73 in 1979 to 2.25 in 1989. According to demographics experts, this is an indicator of the average number of children per woman at the childbearing level for those years. In other words, the foregoing figures show that at the childbearing levels for the year 1979 and the year 1989, the number of children born per woman of childbearing age in China declined from 2.73 to 2.25.

This newest research report shows that on the basis of the third census data, 5,548,000 of the women who gave birth to children in 1981 had given birth to three children or more. This was more than one-fourth of the women who were able to bear children in that year. This shows a fairly high percentage of Chinese women having multiple births during the early 1980's. Consequently, the state placed the emphasis of planned parenthood work on controlling the number of multiple births. The fourth population census data demonstrate that after 10 years of effort, the long-standing pattern of multiple childbearing for Chinese women has changed markedly. Comparison of the ratio of children born shown in the two censuses shows even more clearly that throughout the 1980's, when the single child policy was just being accepted by an increasing number of people, the percentage of people having one or two children rose while the percentage of multiple births declined. The percentage of multiple births declined from 27.15 percent in 1981 to 19.32 percent in 1989.

The experts maintain that women's childbearing is a kind of social behavior. From an overall standpoint, the number of socioeconomic factors having a direct or indirect bearing on changes in the birth rate are extremely numerous. Examples include economic development, the level of urbanization, changes in the family structure, women's education and other improvements in their socioeconomic position, the weakening of traditional ideas, and the rise in the cost of rearing children, as well as the death rate (particularly a decline in the children's death rate), population movement, the use and propagation of various contraceptive medicines and devices, etc. The

effect on women's childbearing of the level of economic development, educational level, and the level of urbanization is particularly great. The research report that Ji Yonghua provided shows that there tends to be a reverse correlation between the level of economic development and the childbearing rate. Where the overall birth rate is relatively low, the per capita industrial and agricultural gross output value is relatively high in most cases. In Beijing, Tianjin, Shanghai, China's three northeastern provinces, and in Jiangsu and Zhejiang, where the economy is developed, the total birth rate is low. A rise in the cultural and educational level may cause a decline in female childbearing. Childbearing data for women of different cultural levels in 1981 shows a multiple children ratio of women having a college, senior middle school, junior middle school, and primary school education of generally 1:3:9:27 respectively. This is to say that with each level of decline in education, the percentage of multiple births increased threefold. A high urbanization rate means a low birthrate. Survey data from successive population censuses and related birthrate data have always shown a substantial difference between cities and rural areas of China in women's childbearing level. In 1990, the city and town population of China accounted for 26.24 percent of the total population. This percentage may be regarded as the average urbanization level for the whole country. In an overwhelming majority of the areas in which the level of urbanization has not yet reached the national average, the total birthrate was also fairly high. In areas where the level of urbanization was greater than 40 percent, the total childbearing rate showed a marked tendency toward rise and decline with the coefficient of urbanization. Thus, the experts believe that the marked decline in Chinese women's overall birth rate during the past 10 years or more is evidence of progress in China's social, economic, and cultural development since reform and opening to the outside world.

(The effect on the birth rate of the economy, education, and level of urbanization in different areas is shown in the table that follows).

Level of Economic Development and Total Birth Rate in Different Areas in 1989

| Area | Per Capita Industrial and Agricultural Gross Output Value (Yuan per capita) | Total Birthrate |
|------------------|---|-----------------|
| 1. Shanghai | 12,350.3 | 1.34 |
| 2. Tianjin | 8,025.7 | 1.66 |
| 3. Beijing | 7,419.5 | 1.33 |
| 4. Jiangsu | 4,635.4 | 1.94 |
| 5. Liaoning | 4,564.5 | 1.51 |
| 6. Zhejiang | 3,901.4 | 1.40 |
| 7. Guangdong | 3,644.5 | 2.51 |
| 8. Shandong | 3,025.9 | 2.12 |
| 9. Jilin | 2,764.0 | 1.81 |
| 10. Heilongjiang | 2,754.9 | 1.71 |
| 11. Hubei | 2,494.6 | 2.50 |

| | | |
|--------------------|---------|------|
| 12. Fujian | 2,413.3 | 2.36 |
| 13. Hebei | 2,266.8 | 2.33 |
| 14. Xinjiang | 2,124.5 | 3.16 |
| 15. Shanxi | 2,121.4 | 2.46 |
| 16. Anhui | 1,772.2 | 2.51 |
| 17. Ningxia | 1,756.0 | 2.61 |
| 18. Shaanxi | 1,737.7 | 2.71 |
| 19. Inner Mongolia | 1,736.1 | 1.97 |
| 20. Qinghai | 1,722.7 | 2.47 |
| 21. Hunan | 1,705.1 | 2.40 |
| 22. Henan | 1,705.1 | 2.90 |
| 23. Jiangxi | 1,634.9 | 2.46 |
| 24. Hainan | 1,619.7 | 2.93 |
| 25. Sichuan | 1,564.5 | 1.76 |
| 26. Gansu | 1,553.4 | 2.34 |
| 27. Guangxi | 1,298.9 | 2.73 |
| 28. Yunnan | 1,254.4 | 2.59 |
| 29. Guizhou | 1,057.4 | 2.96 |
| 30. Tibet | 763.9 | 4.22 |

Educational Level and Total Birth Rate in Different Areas in 1989

| Area | Number of People Per Thousand Having Better Than a Junior Middle School Education | Total Birthrate |
|-------------------|---|-----------------|
| 1. Beijing | 585 | 1.33 |
| 2. Shanghai | 576 | 1.34 |
| 3. Tianjin | 498 | 1.66 |
| 4. Liaoning | 458 | 1.51 |
| 5. Heilongjiang | 422 | 1.71 |
| 6. Jilin | 411 | 1.81 |
| 7. Shanxi | 383 | 2.46 |
| 8. Jiangsu | 370 | 1.94 |
| 8. Inner Mongolia | 369 | 1.97 |
| 10. Shaanxi | 351 | 2.71 |
| 11. Henan | 345 | 2.90 |
| 12. Hubei | 339 | 2.50 |
| 13. Hainan | 336 | 2.93 |
| 14. Xinjiang | 335 | 3.16 |
| 15. Shandong | 331 | 2.12 |
| 16. Guangdong | 330 | 2.51 |
| 17. Hebei | 328 | 2.33 |
| 18. Zhejiang | 316 | 1.40 |
| 19. Hunan | 314 | 2.40 |
| 20. Ningxia | 312 | 2.61 |
| 21. Sichuan | 279 | 1.76 |
| 22. Jiangxi | 272 | 2.46 |

Educational Level and Total Birth Rate in Different Areas in 1989 (Continued)

| Area | Number of People Per Thousand Having Better Than a Junior Middle School Education | Total Birthrate |
|-------------|---|-----------------|
| 23. Qinghai | 269 | 2.47 |
| 24. Guangxi | 268 | 2.73 |
| 25. Fujian | 258 | 2.36 |
| 26. Anhui | 257 | 2.51 |
| 27. Gansu | 251 | 2.34 |
| 28. Guizhou | 204 | 2.96 |
| 29. Yunnan | 187 | 2.59 |
| 30. Tibet | 72 | 4.22 |

Percentage of City and Town Population in Each Area and Total Birthrate

| Area | Urbanization Level | Total Birthrate |
|--------------------|--------------------|-----------------|
| 1. Yunnan | 14.74 | 2.59 |
| 2. Henan | 15.15 | 2.90 |
| 3. Guangxi | 15.42 | 2.73 |
| 4. Hunan | 17.36 | 2.40 |
| 5. Anhui | 17.66 | 2.51 |
| 6. Hebei | 17.91 | 2.33 |
| 7. Tibet | 18.06 | 4.22 |
| 8. Sichuan | 19.74 | 1.76 |
| 9. Guizhou | 20.05 | 2.96 |
| 10. Hainan | 20.59 | 2.93 |
| 11. Shaanxi | 20.65 | 2.71 |
| 12. Gansu | 20.81 | 2.34 |
| 13. Jiangxi | 20.87 | 2.46 |
| 14. Jiangsu | 22.59 | 1.94 |
| 15. Fujian | 22.67 | 2.36 |
| 16. Qinghai | 25.28 | 2.47 |
| 17. Shanxi | 26.68 | 2.46 |
| 18. Shandong | 26.80 | 2.12 |
| 19. Ningxia | 28.46 | 2.61 |
| 20. Hubei | 29.64 | 2.50 |
| 21. Zhejiang | 30.58 | 1.40 |
| 22. Xinjiang | 32.98 | 3.16 |
| 23. Inner Mongolia | 35.53 | 1.97 |
| 24. Guangdong | 38.92 | 2.51 |
| 25. Jilin | 42.83 | 1.81 |
| 26. Heilongjiang | 49.28 | 1.71 |
| 27. Liaoning | 51.40 | 1.51 |
| 28. Shanghai | 66.14 | 1.34 |
| 29. Tianjin | 68.20 | 1.66 |
| 30. Beijing | 73.22 | 1.33 |

AGRICULTURE
Slowdown in Peasant Income Growth Analyzed

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[Article by Tang Ping (0781 1627), State Statistical Bureau: "Slow Peasant Income Growth Analyzed"]

[Excerpts] The achievements of China's rural reform, now in its 12th year, have attracted worldwide attention. The peasants' basic needs for food and clothing have been met. However, a number of new problems have become increasingly notable. In recent years, in particular, as the price stimulus and policy incentives have become less and less effective, the increase in peasants' real incomes has slowed, at times even to the point of negative growth. All this has had an unfavorable impact on the development of the rural economy and even the national economy as a whole.

1. Slow Growth in Peasant Incomes in Recent Years

After 1985, the national economy underwent further profound structural adjustments, to the detriment of the rural household, which was not on solid ground economically. Slowly the peasants lost the gains they had made during reform. Their income growth has slowed and their real earnings may have actually declined, as demonstrated below:

1) Growth in per capita net income has slowed considerably. In 1990, per capita net income among peasants was 630 yuan, up 58.8 percent over 1985, or 9.6 percent annually on average. After adjusting for inflation, per capita net income among peasants increased a mere 4 percent annually, not only smaller than the average annual rural economic growth rate of 4.7 percent, but a drop of 11 percentage points from the average annual income growth rate of 15.1 percent during the 1978-1985 period. The slowdown in peasant income growth has been particularly striking in the last 3 years. After accounting for inflation, real income rose 6.3 percent in 1988, fell 1.6 percent in 1989, and inched up a mere 1.8 percent in 1990.

2) The growth in per capita cash income has slowed even more. In 1990, per capita cash income among peasants was 513.8 yuan, having grown 24.9 percent, 10.8 percent, and 3.3 percent in 1988, 1989, and 1990, respectively.

3) The number of provinces with slow income growth has been increasing by the year. In 1990, 24 jurisdictions among the nation's 30 provinces, autonomous regions, and municipalities directly administered by the central government recorded a per capita net income growth rate of under 10 percent among peasants, up from 16 jurisdictions in 1989 and 5 jurisdictions in 1988. In 1989, per capita net income among peasants fell in four provinces and autonomous regions compared to the preceding year. In 1990, three provinces and autonomous regions experienced a decline in peasant income while 4 provinces and autonomous regions held steady. After accounting for inflation,

the number of jurisdictions with a negative income growth rate would have been even higher. [passages omitted]

3. Consequences of the Slowdown in Peasant Income Growth

1) The level of consumption has barely risen and peasants' real living expenses have declined. Between 1985 and 1990, real living expenses fell year after year if we factor in inflation. Living expenses for peasants rose 8.3 percent, 7.3 percent, and again 7.3 percent in 1986, 1987, and 1988, respectively, compared to the preceding year, but fell 0.6 percent and an even larger 2.8 percent in 1989 and 1990, respectively. In 1990, in particular, not only did the overall level of spending fall, but the real consumption of non-commodities shrank even more sharply, with real spending down 11.4 percent, 9.2 percentage points more than the drop in real consumer goods spending. This has prevented a continuous improvement in the peasants' living standard.

2) Purchasing power has shriveled notably, softening the rural market. Without a driving force, the rural market has experienced the following adverse changes: 1) Before 1984, rural social commodity retail sales grew faster than its urban counterpart. After 1985, just the opposite happened. In 1989, social commodity retail sales rose 8.9 percent nationwide over the previous year. Specifically, urban retail sales increased 9.8 percent while rural retail sales expanded 8.2 percent. In 1990, the rural market became even more sluggish as commodity retail sales slipped 0.1 percent from the year before. During the same year, urban commodity retail sales grew 5.7 percent. 2) Before 1985, rural commodity retail sales accounted for a steadily rising share of all social commodity retail sales. Since then, the trend has been downward. In 1990, rural commodity retail sales made up a mere 55.0 percent of all social commodity retail sales, a 0.6 percentage point drop from the level in 1980. 3) The rural market has been contributing less and less to the national economy. As peasant income growth lost steam, rural social commodity retail sales expanded by a total of 256.58 billion yuan between 1985 and 1990, 52.1 percent of the increase in all social commodity retail sales in the same period. In contrast, rural social commodity retail sales accounted for 65.4 percent of the growth in all social commodity retail sales between 1978 and 1984, with the demand of the rural market contributing to over 62 percent of the national economy.

3) Production investment has declined, as demonstrated in the following ways. 1) The growth in peasant household operating expenses has slowed. According to rural household surveys, although operating expenses by peasant households as short-term investment continue to grow, the rate of increase has been declining over the years, dropping from 29.2 percent in 1988 to 12.7 percent in 1989 and 1.3 percent in 1990. 2) The purchase of fixed assets of a production nature has been falling proportionally year after year. Medium- and long-term investment in expanded reproduction by peasants accounted for 13.3 percent of total production investment in 1985 but sank to 11.4 percent in 1988, 9.4 percent in 1989, and 8.3 percent in 1990.

4. Some Opinions on Stabilizing and Increasing Peasant Incomes

The decline in peasant incomes is a political as well as economic issue. It may be said that the economic impact of declining peasant incomes has gone far beyond agriculture and the countryside to constrain the normal operations of the national economy. It is therefore imperative that peasant incomes be stabilized and that sustained and steady rural economic development be promoted.

1) As far as the rural investment climate is concerned, we must put together a new economic setup in order to generate more output with less input, and increase the peasants' earnings steadily. In recent years, crop-growing has become less and less profitable, relatively speaking. The investment return for peasant households has been declining each year, which seriously dampens the enthusiasm of peasants for production investment. According to rural household surveys, net return on one yuan of investment by peasants was 2.84 yuan in both 1985 and 1986 but dropped to 2.7 yuan and 2.48 yuan in 1987 and 1988, respectively, and slipped further to 2.45 yuan in 1989. It inched back up to 2.57 yuan in 1990, still 0.27 yuan shy of the level of 1985. Hence there is the need to improve the rural investment climate effectively and boost peasant investment returns. Only when we ensure peasants' economic incomes as a way of mobilizing their enthusiasm for production can we guarantee rising agricultural output and rising income for peasants.

2) The mechanism for determining the prices of agricultural products must maintain a balance between the prices of agricultural products and those of industrial products, and gradually narrow the price scissors so as to ensure a reasonable return on the peasants' output. Right now agricultural products are unfairly priced relative to industrial products. The anomaly of pricing a product with no regard for its value has not been fundamentally removed. Already the unreasonable price ratios between agricultural by-products, capital goods for use in agriculture, and the peasants' living expenses have had a major depressing effect on agricultural production, peasant income, and consumption. According to studies in Hubei, the prices of over 70 of the province's 132 agricultural products, or 53 percent, declined in the first half of 1990. According to another survey of 4,200 peasant households in Hunan, in 1990, a peasant earned 9.6 yuan and 6.6 yuan less from the sale of grain and live pigs, respectively, compared to 1989 because of the drop in grain and pig prices. Therefore a sound mechanism for determining the prices of agricultural byproducts must be established so that peasants are ensured a reasonable return for his output. This is the only way to ensure an increase in real income for the peasant each year.

3) As for the development of township and town enterprises, we must further adjust the policy, sort out the relationships, and, in accordance with the principle of utilizing resources fully, diligently guide the enterprises and facilitate their successful development in order to increase peasant income. Township and town enterprises, which emerged suddenly after the Third Plenum of the

11th CPC Central Committee, have boosted both peasant earnings and the development of the rural economy. Earnings from township and town enterprises accounted for a rising share of the increase in peasant incomes over the years, hitting a high of 51.7 percent in 1987. More recently, however, township and town enterprises have run into difficulties, seriously hampering the development of the rural economy and slowing peasant income growth. Earnings from township and town enterprises have accounted for a steadily declining share of peasant income increases in recent years. In 1990, such earnings were down 4.6 percent compared to the preceding year. Accordingly, we should further adjust the policy on township and town enterprises and the industrial structure, spur the development of township and town enterprises, and protect the peasants' legitimate interests.

4) As for the peasants' tax burden, we must correctly assess the extent of their wealth and take practical measures to relieve them of any unfair burdens in strict accordance with the principle of bearing a reasonable burden and asking someone to do what he is capable of. Since 1989, the central government has handed down a string of policies and regulations pertaining to the burden on peasants, and some success has been achieved across the nation in easing the onerous burden on peasants. On the other hand, we also should realize that the excessive burden on peasants remains a widespread problem. Some areas and sectors are still imposing fees and charges on peasants arbitrarily. To ensure a rising income for peasants and improve their lives in a fundamental way, we must therefore continue to relieve them of unfair burdens so as to stabilize rural economic development.

NORTH REGION

Tianjin Municipal Budget Report

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in Chinese 25 Mar 92 p 6

["Excerpts" of report made by Yue Shugong, director of the Tianjin municipal financial bureau at the sixth session of the 11th municipal People's Congress with regard to the implementation of the 1991 financial budget and the draft of 1992 financial budget]

[Text] Fellow deputies:

I, entrusted by the municipal people's government, would like to present to the session the report on the implementation of 1991 financial budget and the draft of 1992 financial budget for consideration.

1. The Implementation of 1991 Financial Budget

In line with the demands put forward at the fifth (enlarged) plenum of the seventh municipal party committee regarding "overcoming difficulties, consolidating the excellent situation, and successfully conducting their work to achieve greater development," various fronts throughout the municipality achieved new developments in the national economy and scored new achievements in reform and opening up in 1991. They did this by continuously implementing the principle of reform and opening up, regarding as its core the work of stimulating economic results and as an important content the "movement" of increasing production and practicing economy as well as increasing income and curtailing expenses. They also stepped up the "yearly campaign" of improving quality and increasing product variety and benefits and successfully conducted their work. The financial and tax revenue departments at all levels scored certain achievements in mind emancipation, changing concepts, and correctly dealt with or boosted services for economic construction. The municipality better fulfilled annual financial budget tasks due to efforts by various social circles.

Financial revenues in 1991 reached 4,900,080,000 yuan, exceeding the budget by 1 percent and a 1.9 percent increase when calculated in terms of comparable items. Of these revenues, those at the municipal level reached 2,457,290,000 yuan and accounted for 98.3 percent of the budget and those at the district-county level reached 2,442,790,000 yuan, exceeding the budget by 2 percent. Financial spending reached 3,710,580,000 yuan and accounted for 90.9 percent of the budget, exceeding the budget by 1.5 percent when calculated in terms of comparable items. Of this, spending at the municipal level reached 2,226,900,000 yuan and accounted for 88.1 percent of the budget and spending at the district-county level reached 1,483,680,000 yuan and accounted for 95.4 percent of the budget. As far as financial year calculations, the surplus at the end of the financial year reached 373.03 million yuan. Of this, surplus funds acquired from key projects of energy resources and communications reached 105.59 million yuan and that saved from the contract

system enforced in administrative units reached 265.95 million yuan. The financial net surplus reached 1.49 million yuan.

Major items in the implementation of financial revenue budget are as follows:

A. Industrial and commercial tax revenues somewhat increased.

Industrial and commercial tax revenues reached 4,971,430,000 yuan and accounted for 98.2 percent of the budget and a 1.8 percent increase over 1990. The province improved from a decline of tax revenues in 1990 to an increase in 1991 and a majority of tax revenue items showed an increase over 1990. The income taxes of collective-run enterprises reached 387.15 million yuan, a 12.2 percent increase over 1990. The tax revenues of scattered individual-run firms reached 304.22 million yuan, a 12.5 percent increase over 1990. The revenues of industrial and commercial unified taxes and of income taxes of foreign-funded enterprises reached 234.16 million yuan, a 73.4 percent increase over 1990. The revenues of business taxes reached 1,342,810,000 yuan, a 4 percent increase over 1990. The revenues of product taxes and of appreciation taxes reached 2,355,540,000 yuan, a 0.4 percent decrease over 1990 because of restrictions imposed by the state on the output of cigarettes and textile goods.

B. Industrial enterprises fulfilled their revenue tasks.

Industrial enterprises created 429.31 million yuan in revenue, which was 102.2 percent of the budget, up 5.1 percent over the previous year. Under the situation in which there were many unfavorable factors for declining revenue and increasing expenditures, all industrial departments implementing the contract system strived to overcome difficulties, implemented the contract responsibility system in management, and fulfilled the contract revenue delivery task in a better manner.

C. Subsidies for enterprise deficits were controlled.

The subsidies for deficits of commercial, grain and non-industrial enterprises totaled 106,320,000 yuan, which was 93.1 percent of the budget, up 4.3 percent over the previous year. Our municipality further improved the operational and management system of separating "policy-related losses from operational losses and of drawing a clear line between profits and losses" among grain enterprises, implemented the methods for holding responsible the tasks of giving subsidies for deficits, and of controlling the total amount of deficit subsidies among second commercial enterprises as well as poultry, eggs, gas, water, and communications companies, and promoted enterprises to strengthen operation and management and to reduce deficits.

D. There was a fairly great shortage in collecting funds for key energy and communications construction projects and budgetary regulatory funds.

Revenue from collecting funds for major energy and communications construction projects was 111.73 million yuan, and that from budgetary regulatory funds, 135.67

million yuan, which was 79.8 percent and 93.6 percent of the budget, showing a decline of 4.1 percent and 8.5 percent respectively from the previous year. Owing to a reduction in the extra-budgetary funds and the default of payments in some enterprises, there was a fairly great shortage in the revenue of these two types of funds.

The fulfillment of budgets of the major financial and expenditure items were:

a) We guaranteed the expenditures on capital construction, agricultural support, and maintenance and construction of urban facilities.

The capital construction expenditure was 330.69 million yuan, which was 79.4 percent of the budget, a decline of 17.2 percent from the previous year, of which expenditures on key energy and communications construction funds amounted to 124.82 million yuan.

The expenditure on agriculture-oriented funds was 188.28 million yuan, which was 81.5 percent of the budget, showing an increase of 1.7 percent in expenditures over the previous year if calculated in terms of comparable standards. During the year, 150,000 mu of medium and low-yielding fields were improved; the plan of removing the silt of new Yongding He was fulfilled, 2.8 km of a dangerous section of the Hai He embankment was renovated, and the satellite cloud chart receiving and radar observation terminal systems were installed; the supporting facilities in the mechanized demonstration areas were increased, fine strains of winter wheat and vegetables on 1.55 million mu of cultivated land were popularized; and the water drinking problem of the people and animals in some mountainous areas, and the problem of eliminating fluorine in the drinking water of eight villages were solved.

The expenditure on maintaining and building urban facilities totaled 356.25 million yuan, which was 94.2 percent of the budget, a decline of 11.5 percent from the previous year. Of this, the expenditure on maintaining urban facilities was 249.41 million yuan, and that on building urban facilities was 106.84 million yuan. We completed the TV tower, urban construction institute and the second-phase project of the new river water plant in line with plans, and fulfilled the road water drainage renovation project on the Jiefang Bridge Square.

b) We increased expenditures on science, technology, education, public security organs, procuratorial organs and people's courts.

Expenses on three types of scientific and technological funds totaled 89.81 million yuan, which was 95.5 percent of the budget, up 59 percent over the previous year. To promote scientific and technological progress, in the course of implementing the budget, we allocated 10 million yuan in investment in industrial experiments and in scientific and technological research projects, 10 million yuan of funds in equipping key research institutes, and 5 million yuan in supplying the municipality with scientific and technological risk-taking funds.

Educational expenditures totaled 590.06 million yuan, fulfilling the budgeted figure by 96.4 percent and showing an increase of 9 percent over the previous year. The additional educational expenditure was 70.56 million yuan, an increase of 8.8 percent. To further improve the conditions of school facilities, the municipality rebuilt 250,000 square meters of dangerous and shabby school-houses and teachers dormitories in the rural areas, rebuilt 27 township central middle schools, equipped teaching facilities for 42 township middle schools; built and expanded 15 primary and middle schools and nursery schools; built three schools for the handicapped respectively in Tanggu, Hangu, and Dongli; equipped physics, chemistry, and biology teaching facilities, language teaching laboratories, and computers for key middle schools at various levels; and added teaching and experimental facilities and specialized laboratories for institutions of higher learning, vocational schools, and adult schools.

A total of 168.67 million yuan was expended to security organs, procuratorial organs, and people's courts, fulfilling the budgeted figure by 98.5 percent and showing an increase of 13.9 percent over the previous year. To satisfy the demand of strengthening the construction of these organs, the municipality arranged special expenditures to add special anti-explosion equipment, auxiliary telecommunication facilities, and transportation means; to rebuild jails and reformatories; and to supplement the funds for conducting legal system propaganda. Thus, security organs, procuratorial organs, and people's courts have upgraded their equipment and facilities.

c) Price subsidies and ordinary expenditures were controlled.

The expenditure on various price subsidies reached 666.02 million yuan, fulfilling the budgeted figure by 99.9 percent and showing a decrease of 12.3 percent from the previous year. Last May, the grain and oil marketing prices rose and the profits realized by grain enterprises increased. At the same time, the central authorities abolished grain subsidies to make up the difference between the purchase price paid to farmers and the lower sale price charged to the consumers and appropriately reduced the expenditures. The expenditures on price subsidies for the foodstuffs of dwellers, civilian-use coals, and vegetables were basically equal to the figures of the preceding year.

The administrative expenditure was 191.14 million yuan, fulfilling the budgeted figure by 93 percent and showing an increase of 16.1 percent over the previous year. The personnel expenditure increased by a big margin due to the increase in the number of personnel, readjustment of cash awards to staff and workers, and increase in price subsidies. Of the administrative expenses, the public expenses were continuously controlled. Additionally, of various expenditures, the municipality reduced meeting expenditures, public travel expenditures, and the expenditures on purchasing equipment and facilities that were not urgently needed.

In the past year, the financial and tax departments paid attention to serving the progress of reform, opening up,

and economic construction; carried out some new policies and measures with a focus on improving state-owned large-and medium-sized enterprises; and achieved new results.

The municipality preliminarily implemented relevant policies on conducting trial reform among state-owned large and medium-sized enterprises. The municipality selected 117 enterprises to conduct the reform on a trial basis and defined conditions and duties for these enterprises. The municipality improved enterprise economic accounting and wage distribution methods with the focus on changing the enterprise mechanisms and worked out the system of increasing the working funds of enterprises through various channels and increasing depreciation funds and large-scale repair funds. The implementation of the aforementioned policies offered necessary external conditions for conducting reform among experimental enterprises and enhanced enterprises' self-development and self-restriction capabilities.

We perfected related financial and tax policies to promote the technological progress of enterprises. To enhance enterprises' ability to develop new products, we implemented the preferential policy of making the enterprises producing new products exempt from product tax or value added tax for a fixed period. After accomplishing the contracted quota on revenue delivery, enterprises were allowed to retain a certain proportion of their revenues from sales of products to be used as the technology development fund, and use a portion of this fund to award those scientists and technicians who made contributions, thus promoting the technological progress of enterprises.

We developed the production of key products and supported the technological transformation of enterprises. In line with the state industrial policy and with the municipality's demands on readjusting production set-up and product mix, we allowed tax exemptions for a fixed period among the enterprises producing the products emphatically developed by the state, the enterprises producing the 30 products developed by localities on a priority basis, the newly established integrated enterprises, and the enterprises confronting difficulties in improving the quality of products and increasing designs and varieties of products. At the same time, we positively increased the funds issued by financial departments to support the technological transformation of enterprises.

We supported and coordinated price reform to promote the development of the commodity economy. In line with the unified arrangement of the State Council, we raised the marketing prices of grain and oil-bearing seeds. In line with the practical situation of the municipality, we readjusted the price of monthly bus tickets and decontrolled the prices of feed and eggs, thus further rationalizing prices and promoting the production and circulation of products.

In the past year, some achievements were scored in the municipal economic work and financial and tax work, however, some contradictions and problems remained. Although the economic efficiency of enterprises picked up somewhat, there was no obvious improvement. Some

enterprises were outmoded in equipment, backward in technology, aging in products, and weak in management. Financial and tax departments still had a ways to go in serving economic construction, cultivating and opening up financial resources, and safeguarding financial and tax order. In this new year, we will conduct a conscientious study and a positive exploration to gradually solve these problems.

2. The 1992 Draft Financial Budget

Nineteen ninety-two is a key year for accelerating reform and opening as well as economic construction. In line with the basic principles of emancipating minds, being bold in practice, accelerating reform, and making full use of advantages to promote the steady and coordinated development of the economy and society, which were defined by the eighth (enlarged) plenary session of the fifth municipal party committee, we should comprehensively understand and implement the party's basic line, vigorously support reform and opening up, energetically develop the social productive forces, vigorously promote the readjustment of economic structure and the improvement of economic efficiency, and gradually improve the financial situation to make new contributions to accelerating economic construction.

The 1992 draft financial budget has been arranged in line with policy demands set by the national financial work conference and with the municipal plan for economic and social development and in combination with the implementation of last year's budget. The principles for the breakdown of the 1992 draft budget are: Positively supporting reform and opening up, invigorating large and medium-sized state enterprises, promoting the readjustment of economic structure and the improvement of economic efficiency, and creating conditions for accelerating economic development; further perfecting tax revenue policies, ensuring the steady increase in tax revenues, perfecting the enterprise contract management responsibility system, carrying out enterprise contracting tasks, clearing up and rectifying financial subsidies, strictly controlling enterprise losses, and effecting an increase in financial revenues; and readjusting expenditure structure, strictly controlling expenditures, ensuring appropriations for key construction projects, giving consideration to ordinary projects, and striving to realize a balanced budget.

The 1992 financial revenue budget is 5 billion yuan, a 99.92 million yuan and 2 percent increase over 1991. Of these financial revenues, those at the municipal level are 2.45 billion yuan, a 0.3 percent decrease over 1991; and those at the district/county level are 2.55 billion yuan, a 4.4 percent increase over 1991. Major arrangements for the financial revenue budget are as follows:

a) Industrial and commercial tax revenues are 5,233,600,000 yuan, a 5.3 percent increase over 1991. Of these revenues, those of product taxes and appreciation taxes are 2.414 billion yuan, a 2.5 percent increase over 1991; and those of business taxes are 1,460,700,000 yuan, an 8.8 percent increase over 1991. The revenues of other tax items also show varying degrees of increase.

b) Subsidies appropriated by the central authorities for compensating for enterprises' losses reach 761.1 million yuan, a 20.1 percent increase over 1991. In distributing subsidies, the municipality may utilize the 420 million yuan of revenue transferred by the industrial enterprises while signing contracts with the municipal authorities, and this is equal to the 1991 amount. Subsidies used for compensating for the losses of business firms, grain enterprises, and nonindustrial enterprises reach 1,181,100,000 yuan, an 11.1 percent increase over 1991.

c) The revenues of funds used for building the key projects of energy resources and communications reach 110 million yuan, a 1.5 percent decrease over 1991. Those used for regulating the budget reach 120 million yuan, an 11.6 percent decrease over 1991. The municipality will relatively reduce the revenues of the two funds transferred by the large- and medium-sized enterprises because it should reduce or exempt the collection of the two funds from some of these enterprises to implement the state policy of boosting large- and medium-sized enterprises this year.

The 1992 financial expenses budget is 3,313,830,000 yuan, a 223.6 million yuan and 6.3 percent decrease over 1991. Major reasons for the reduced financial expenditure budget are as follows: 1) The central authorities have eliminated the subsidies used for compensating for the price difference of grains; and 2) the surplus at the end of 1991 financial year was less. Of these financial expenses set in the budget, those at the municipal level are 2,190,640,000 yuan, an 8.5 percent decrease over 1991; and those at the district/county level are 1,123,190,000 yuan, a 1.7 percent decrease over 1991. Major arrangements for the financial expenses are as follows:

a) Expenses used for capital construction are 426.15 million yuan, a 1.8 percent decrease over 1991. Of these expenses, those for building the key projects of energy resources and communications are 105.59 million yuan.

b) Expenses used for supporting enterprises to tap their potential and to conduct technical renovations are 46.06 million yuan, a 16.6 percent decrease over 1991.

c) Expenses used for the three science and technology projects are 47.73 million yuan, a 14.9 percent increase over 1991.

d) Expenses used for supporting agriculture are 189.81 million yuan, a 6.8 percent increase over 1991.

e) Expenses used for urban maintenance and construction are 273.51 million yuan, a 7.3 percent decrease over 1991.

f) Expenses used for cultural, educational, public health projects are 1,104,840,000 yuan, a 5.7 percent increase over 1991. Of these expenses, those for educational projects are 639.37 million yuan, a 6.5 percent increase over 1991. The additional expenses for education are 72 million yuan, a 24.1 percent increase over 1991.

g) Expenses for administrative management funds will be 174.69 million yuan, an increase of 16.4 percent over 1991.

h) Expenses for public security organs, procuratorial organs, and people's courts will amount to 156.15 million yuan, up 11.2 percent over 1991.j

i) Expenses for price subsidies will be 179.67 million yuan, down by 62.9 percent from 1991. Owing to the fact that the central authorities abolished subsidies for grain price differences, the expenditure for this purpose will be relatively reduced compared with the previous year's budget.

j) The total reserve funds will be 5 million yuan.

In this year's financial budget, we will uphold the principle of "fixing the expenditures according to the revenue and striking a balance between revenue and expenditures," and will simultaneously consider needs and possibilities. We will positively make arrangements for the financial revenue budget and comprehensively consider the factors of developing production and increasing revenue; the financial expenditure budget will differ greatly from needs in various aspects, but we will stress the main points of economic construction and the development of our work. We will fully use the favorable conditions to effect a turn for the better in the economic situation, overcome difficulties with the reform spirit, and guarantee the fulfillment of the financial budget task.

3. We Support Production Development, Cultivate and Open Up Financial Resources, Do a Good Job in Managing Revenue and Expenditure, and Fulfill the Budget Task

The financial issue is a major one affecting our municipal, economic, and social development. Overcoming financial difficulties and strengthening financial strength to promote economic development is the common responsibility of the financial, taxation, and economic management departments at all levels as well as of the people across the municipality. We must have a strong sense of responsibility and urgency. In this connection, we must focus our financial and taxation work on improving economic efficiency, and we must realistically shift the work emphasis to opening up, cultivating, developing, and safeguarding financial resources. Meanwhile, we should strive to raise the level of financial and taxation management, do a good job in financial and taxation management work, and successfully fulfill the financial budget task.

A. We should support the development of production and cultivate and open up financial resources.

The fundamental way to push the national economy forward is to improve economic efficiency while developing production. The financial and taxation work should be focused on running large- and medium-sized enterprises well; comprehensively implementing the policies for promoting production and development and improving economic efficiency; serving reforms, opening up, and economic construction; strengthening management; and rendering good services.

We should consider the successful running of state large- and medium-sized enterprises as an emphasis and accelerate the pace of reforming the financial and tax systems. On the basis of running state large- and medium-sized

enterprises well, we should continue to implement the policy on carrying out enterprise reform experiments; select some industrial and commercial enterprises as pilot units for the reform of "separating taxes and profits, after-tax loan repayment, and after-tax contract execution"; actively promote the shareholding system in some pilot units; support the establishment of enterprise groups; support the reform of prices and the commodity circulation system, coordinate with departments concerned to prepare and conduct the price adjustment work, and continue to implement the policy of sharing reasonable burdens; and promote industry-commerce joint sales and industry-foreign trade cooperation and display their integrated advantages to invigorate the circulation of commodities. We should coordinate with relevant departments to conduct reform of the housing system, social insurance system, and medical insurance system.

By improving enterprises' external conditions, we should encourage enterprises to change their operational mechanism. We should perfect the enterprise contracted management responsibility system; honor the policies on contracting; gradually solve the problem of assuming responsibility only for profits but not for losses; and encourage enterprises to develop production with great endeavor so as to make due contributions to the state. We should improve and perfect the system of basing an enterprise's total payroll and bonus on its economic performance, should link the remuneration and contributions of staff and workers with the economic efficiency of their enterprises, and should encourage staff and workers to work hard so that we can manifest even better the principle of distribution according to work.

We should enhance enterprises' capacity for self-renovation to promote the technological progress of enterprises. To enhance enterprises' capacity for self-renovation, we should support and especially consider enterprises in the fields of increasing and supplementing the private circulating funds of enterprises; appropriately raise the depreciation rate of machines and equipment; reduce or eliminate in a planned way the energy, transportation, and key projects fund and the budget regulatory fund earmarked for large and medium-sized state enterprises; develop the export-oriented economy; carry out joint operations with other enterprises; and promote marketing and the reduction of the reserve of products. In line with the demand of "invigorating the municipality through scientific and technological means," we should, in the course of increasing the input in science and technology, carry out preferential tax policies in the fields of producing new products, developing new technology, encouraging enterprises and scientific and technological personnel to develop new products, and improving the technological progress of enterprises. We should make good use of the policies for developmental zones, bonded zones, and the new technology industrial park to promote the opening to the outside world and the development of the export-oriented economy.

B. We should strengthen the management of revenues and expenditures to fulfill the budget tasks.

In face of the grim financial situation, financial and tax departments should realistically carry out their work in close coordination with various pertinent departments, should formulate and implement the policies and measures on "increasing production and practicing economy and increasing revenues and reducing expenditures" by proceeding from the demand of economic development, and should seek ways to overcome difficulties in the course of carrying out reform to fulfill the tasks of this year's financial budget.

We should strengthen management of enterprises and increase their economic efficiency. We should continue to extensively and penetratingly conduct the campaign of "increasing production and practicing economy and increasing revenues and reducing expenditures," with the endeavor to halt deficits and increase profits as the major content. We should continue to strengthen the management of enterprises and improve their economic efficiency. We should help enterprises implement the contracted management responsibility system, should draw up feasible measures in the light of the problems affecting enterprises' economic efficiency to overcome unfavorable factors, and should raise the level of profits to fulfill the contracted revenue delivery task. We should emphatically grasp the work of halting or reducing enterprises' deficits, should carry out the responsibility system for halting deficits and increasing profits, and should carry out comprehensive management of those enterprises incurring deficits for a long time due to poor management and operation, lacking sales of their products, and having no recourse for renovation. We should help enterprises firmly grasp the management of the basic links, strengthen their internal economic accounting, improve and perfect the economic responsibility system, cut production costs, and reduce expenses.

We should consolidate financial subsidies and improve managerial methods. Along with conducting reform in price systems, we should study and improve the financial management of money-losing enterprises and the managerial methods for the financial subsidy funds; urge enterprises to enhance their financial management and economic accounting; bring under strict control the subsidies used for the scope and quantity of commodity sales; eliminate the losses caused by management; block the leakage of subsidies; and create conditions for further conducting reform in price systems.

We should uphold the practice of managing taxes in line with the law and strictly enforce tax collection and management. Efforts should be made to resolutely implement the principle of managing taxes in line with the law, to correctly enforce the tax revenue policy, to bring into play the lever role of tax revenues in regulating the economy, and to ensure a stable increase in tax revenues. We should enhance the approval, control, and management of tax reduction and exemption; strictly grasp the enforcement of policies on tax reduction and exemption; and investigate and correct in a timely manner the problems in which the regulations and rules on tax reduction and exemption have not been correctly used, money has been embezzled under

the pretext of tax reduction and exemption, and tax reduction and exemption have been enforced by abusing power. Efforts should be made to vigorously make the tax payment owed by enterprises, to gradually recover the original tax debts, to prevent new tax debts, and to resolutely block any act under any pretext to utilize state tax money. We should also enhance the control over the tax revenues resources, reinforce the collection and management of tax revenues, and prevent tax leakage and evasions.

We should adequately make arrangements for the budget and bring expenses under strict control. Financial departments at all levels should bring about a comprehensive balance between funds within and outside the budget, make tight arrangements for the budget, bring expenses under strict control, and refrain from acting by exceeding their financial capacity. They should earnestly implement the state "regulations and rules" on budget management, enhance management over financial budgets, uphold the budget managerial system that has proved effective, and safeguard the sanctity of budget. They should also help various units adequately make arrangements for their expenses within the fixed budget, upgrade their fund utilization, fulfill their tasks of business development, continuously bring under strict control the expenses of meetings and official trips as well as the expenses of institutions' purchasing power, establish necessary regulations and systems, and gradually deal with the problem of some units suffering fund shortages while others are spending their money extravagantly.

Fellow deputies! Various fronts throughout the municipality are deeply implementing the policies and measures of accelerating reform and opening and of developing the economy. The financial and tax revenue departments are also actively fulfilling the tasks set in the budget and the measures for increasing income and curtailing expenses. We are convinced that under the correct leadership of the municipal party committee, we certainly will be able to overcome the difficulties on our advancing road and to fulfill the tasks set in the 1992 budget by making full use of the favorable conditions in various fields.

NORTHWEST REGION

Shaanxi Provincial Planning Commission Report *92CM0245A Xian SHAANXI RIBAO in Chinese* 14 Mar 92 p 3

[Article by Li Wenyan (2621 2429 3220), director of the Shaanxi Planning Commission: "Shaanxi Provincial Planning Commission 1991-92 Report"]

[Text] 1. Implementation of the Plan In 1991

In 1991 Shaanxi fulfilled the spirit of the Seventh and Eighth plenums of the 13th CCP Central Committee in earnest and carried out all tasks and policies laid down by the Shaanxi Provincial CPC Committee, the provincial government, and the fourth meeting of the Seventh Shaanxi People's Congress across the board. The drive to improve the economic climate, rectify the economic order,

and deepen reform has been remarkably successful. The national economy has rebounded all round. Social undertakings have made further progress. The plan was completed triumphantly in 1991. The province's gross product reached 41.6 billion yuan, up 7.9 percent over the past year. Provincial income reached 34.2 billion yuan, up 8.8 percent. The gross value of industrial and agricultural output totaled 71.77 billion yuan, up 10 percent. The entire provincial economy is moving forward in the right direction.

2. Formulating the Plan for 1992

Nineteen ninety-two is the second year in the Eighth Five-Year Plan as well as a year when the economy will reach a critical turning point. By and large, the principal tasks of the drive to improve the economic climate and rectify the economic order have been accomplished, but underlying problems that hamper economic development have not been resolved. Structural readjustment, the improvement of economic results, and the rearrangement of economic relations remain arduous tasks. Thus, drawing up a good plan this year and making economic work a success province-wide is critical to consolidating and furthering the achievements of economic rectification and spurring steady, sustained, and balanced economic development. In accordance with the spirit of the Seventh and Eighth plenums of the 13th CPC Central Committee and in conjunction with the reality in the province, we have made this the guiding philosophy for formulating the plan for 1992: Further deepen reform and open the province to the outside world, consolidate and further the achievements of economic rectification, work very hard to accelerate structural readjustment while maintaining a balance in the overall economic volume, improve profitability, expedite technical progress, open up markets assiduously, struggle arduously and be industrious and thrifty, do the best we can, promote economic growth at a suitable pace and seek balanced economic and social development.

These are the highlights of the plan:

(1) Further strengthen agriculture to reinforce the base of the national economy. Agriculture is critical to overall social and economic development. This year we must further strengthen agriculture, push ahead with reform, increase investment, and improve basic agricultural conditions. While ensuring an increase in grain output, we must go all out to boost cotton and oil-crop production, pursue economic diversification, develop township and town enterprises in accordance with a plan, and spur all-around development in agriculture, forestry, animal husbandry, and fishery. Our projections for 1992 are as follows: grain output, 10.9 million tons, up 4.1 percent over the preceding year; cotton output, 95,000 tons, up 5.6 percent; oil-crop output, 360,000 tons, up 1.7 percent; tobacco output, 130,000 tons; total meat output, 500,000 tons; combined output of township and town enterprises, 22.1 billion yuan, up 12.4 percent over the previous year.

(2) Work hard to adjust the structure, improve profitability, and promote the healthy development of industry and transportation. The over-arching guiding philosophy

for industry and transportation this year is this: Heighten the sense of commercialization, promote the concept of marketing and selling, readjust the structure, accelerate technological progress, overhaul operating mechanisms, and improve profitability. Province-wide, the gross value of industrial output is projected to increase 7 percent to 57.1 billion yuan. Industry above the county level will expand 6 percent with output value totaling 46.85 billion yuan.

(3) Accelerate scientific and technical research and the conversion of S&T achievements. In 1992 we must carry the strategic principle of using S&T to vitalize Shaanxi further, thoroughly educate the public that S&T is the foremost productive force, and strive for new breakthroughs in key S&T projects and the conversion of S&T achievements.

(4) Set a proper scale for fixed assets investment and speed up the construction of key projects. Increase the return on investment. The state has tentatively set fixed assets investment in Shaanxi for 1992 at 7.523 billion yuan, up 1.386 billion yuan over the preceding year. The breakdown is as follows: investment in ownership by the whole people, 4.593 billion yuan, 586 million yuan more than the projected investment last year; collective investment, 530 million yuan, the same level as last year; and individual investment, 2.4 billion yuan, an increase of 800 million yuan. Of the projected 4.593 billion yuan of investment in ownership by the whole people, capital construction investment accounts for 1.678 billion yuan, 271 million yuan more than the projected amount for last year; technological transformation, 1.830 billion yuan, up 230 million yuan; investment in commercialized housing, 710 million yuan, up 30 million yuan; other investment, 375 million yuan, up 55 million yuan.

(5) Work hard to increase revenues and cut spending. Ensure the availability of credit funds. The province's projected revenues this year are 4.7 billion yuan, up 4.2 percent over last year. Lending is projected to go up 8.2 billion yuan, up 17.7 percent over last year.

(6) Further open Shaanxi to the outside world. Develop foreign trade and technical exchange. To meet the needs of national economic development, Shaanxi must launch an export drive this year, at the same time buying substantially from abroad. Exports are slated to total \$650 million, up 7.4 percent over last year, while imports are projected to reach \$190 million.

(7) Ensure people's livelihood and stabilize commodity prices on the market. The market in Shaanxi will continue its trend of stable growth. Province-wide, urban and rural household cash incomes will total 31.5 billion yuan, up 9 percent over a year ago, and social commodity retail sales will hit 22.5 billion yuan, up 10.6 percent. The plan calls for holding the general retail price index at under 6.5 percent.

(8) Develop all social undertakings vigorously and intensify the construction of the socialist spiritual civilization. Continue to implement the strategic principle of "taking education as the base" and make the development of

education a top priority. Stabilize the scale of higher education and adjust the mix of specialties offered. Vigorously develop secondary vocational and technical education. Further strengthen basic education and accelerate the implementation of 9-year compulsory education. It is projected that in 1992, institutions of higher education are projected to enroll 155 graduate students and 8,450 undergraduates; technical secondary schools, 18,000 students; technical schools, 15,000 students, vocational secondary schools, 42,000 students, and regular senior middle schools, 90,000 students. Enrollments at junior middle schools and primary schools will be determined in accordance with the number of children ready to start school and the number of primary school graduates.

3. Deepen Economic Structural Reform and Intensify Macroeconomic Regulation and Control

The full implementation of the national economic and social development plan in 1992 must rely closely on the deepening of economic structural reform if economic work is really to graduate to structural readjustment and the improvement of profitability. This year we must grasp the favorable opportunity afforded us by a more relaxed social and economic climate and a relatively balanced supply-and-demand relationship to accelerate reform and expedite economic development.

(1) Reform enterprise operating mechanisms and put large and mid-sized enterprises on a sound footing.

(2) Deepen the reform of the circulation system. Develop the socialist planned commodity economy even more successfully.

(3) Introduce housing reform across the board. Push for the reform of such social security systems as the pension system, employment system, and health care.

(4) Strengthen and improve macroeconomic regulation and control.

Shaanxi Finance Department 1991-92 Report

92CM0245B Xian SHAANXI RIBAO in Chinese
14 Mar 92 p 3

[Article by Wang Jiayan (3769 1367 1750), director of Shaanxi Finance Department: "Implementation of 1991 Budget; Proposed Budget for 1992"]

[Text] In 1991 the province collected 4,513,910,000 yuan in revenues (excluding revenues for the special power fund and social insurance fund), 104.16 percent of the budget, or 379.72 million yuan more than what was actually collected the year before, an increase of 9.18 percent. The province's total expenditures amounted to 5,827,810,000 yuan, 92.58 percent of the budgeted spending, 422.01 million yuan, or 7.81 percent, more than what the province actually spent the year before.

The guiding philosophy and principles for the preparation of the 1992 budget are: Earnestly carry out policies and measures aimed at putting large and mid-sized state enterprises on a sound footing, work hard to improve profitability, and ensure stable growth of government revenues;

practice fiscal management in strict accordance with the law, step up tax collection, and continue to tighten our belts; lessen the burden on government coffers by deepening reform; implement the principle of "feed first, construct second" in earnest, stick to overall balance, and strictly live within our means; and make sure there is money to pay the wages of the essential personnel, raise funds from all sources in all ways at all levels, and increase investment in agriculture, education, science and technology, and key projects.

The province's projected revenues for 1992 are 4,700,580,000 yuan, 4.14 percent more than what was actually collected in 1991, or 7.16 percent after accounting for incomparable factors.

Coming after 3 years of economic rectification, 1992 is a critical year when Shaanxi's economy is slated to enter a period of stable development. It is also a year when there is much hope in financial work, despite its numerous difficulties. Therefore, we must implement the spirit of the central work conference and the seventh meeting of the Seventh Shaanxi CPC Committee in earnest; put into effect the provincial government's "Some Measures To Improve the Financial Situation Fundamentally"; push ahead with all sorts of reform, concentrating on structural readjustment and the improvement of profitability; cut spending; and do a good, solid job.

(1) Implement the policies and measures of the central government and agencies above the provincial level concerning the sound management of large and mid-sized state enterprises. Change our thinking in earnest. Shift the focus of our work to structural readjustment, the overhaul of mechanisms, technical progress, and the increase of profitability. Adopt effective measures to put the various policies into effect without delay. To begin with, improve enterprise management seriously, making a special effort to help enterprises improve basic work. Tighten up business accounting and adopt a distribution method to link wages to profitability and end the substitution of contracting for management. Strive to lower materials consumption and costs and boost the return on funds, the profit to sales rate, and the fund turnover rate steadily. Second, in accordance with the national industrial policy, assist enterprises to bring about technological transformation, adjust the product mix, and optimize the combination of capital goods. In accordance with the principle of guaranteeing the priorities and dealing with each case on its merits, we must give special preferential assistance to enterprises which turn out popular products, are profitable, and show promise. Third, turn losses into profits aggressively. Continue to improve the turn-losses-into-profits responsibility system, putting the measures into effect in all enterprises, one after another. Concentrate on large money-losing enterprises. "One enterprise, one policy." As far as enterprises that are perennial money-losers with no hope of ever turning a profit are concerned, they should be closed, suspended, merged, or converted to other lines of operations. Fourth, diligently create the necessary conditions for large and mid-sized enterprises with the right policies. Measures

such as increasing the rate of depreciation, raising the rate at which technical development funds are collected, collecting supplementary working capital based on sales revenues, lowering the income tax rate, and exempting the depreciation fund from payment of the "two funds," must be carried through to where they really matter. Continue to deal with the "three violations" in accordance with the law. Fifth, overhaul the enterprise operating mechanisms. Firmly resolve to smash the "iron armchair," "iron wages," and "iron rice bowl." Implement the labor contract system for all personnel, the hiring system for cadres, and the system of linking wages to positions and skills as soon as possible, so that over time a new mechanism will emerge under which cadres will be able to take up both high and low positions, workers can join or leave an enterprise, and wages can be adjusted upward or down.

(2) Push ahead with all reforms vigorously and carry out all reform-related detailed work properly. Taking advantage of the favorable opportunity made available this year by social stability and price stability, we must intensify reform and make it more thorough. Implement all reforms vigorously and effectively in accordance with the centralized plan of the CPC Central Committee and the Shaanxi Provincial CPC Committee, concentrating on the transformation of the internal operating mechanism of large and mid-sized state enterprises. Speed up the reform of the circulation system. Beginning this year, we should further reform the procurement and selling prices of grain. Lift price control on meat and vegetables. Reduce government subsidies correspondingly.

(3) Step up tax collection and strictly limit tax reduction and tax exemptions. Taxes must be paid strictly as the law requires, the amount due to be calculated based on the tax rate. Plug all loopholes for tax evasion and cheating. Make a special effort to collect taxes from small and piecemeal revenue sources. Tighten the management of the energy and transportation construction fund, budget regulating fund, and local agricultural capital construction fund.

(4) Streamline administration and trim personnel. Rein in government spending. These days departments are over-staffed and staff costs have been rising too rapidly, placing an onerous burden on government coffers at all levels. We must commit ourselves to implementing the decision of the central government on freezing the staffing level in government, party, and mass organizations as well as institutions and units. Where the establishment exceeds the authorized level, no public funds will be appropriated. Reorganize agencies in such a way that while "the government is small, it performs many services." Encourage cadres and workers to leave the department to engage in development-oriented production. The purchasing power of social institutions above the county level must not increase at more than 5 percent or so.

(5) Strengthen budgetary restraints. Enforce tax and economic laws and regulations stringently. All departments at all levels must adhere to the "one-pen-examination-and-approval" system. Reports seeking additional spending must be examined and verified by the finance

department and submitted to the government for its consideration and decision. If this procedure is not followed, the request for additional spending will not be processed. Without government authorization, departments and units shall not decrease revenues or increase spending at a conference or on paper. Straighten out the confusion currently surrounding bonuses, allowances, and non-wage incomes. Sort out and reorganize the hidden non-wage incomes of all the units; incorporate the reasonable ones into the wage fund while firmly eliminating the unjustifiable ones. Other candidates for house-cleaning are the various existing funds. They should be gradually brought under the management of the finance department, although each fund is to be treated on a case-by-case basis.

(6) Vigorously tap and develop new revenue sources to keep the flow of revenues going strong. The province's financial goal is to combine mainstay revenue sources with mass revenue sources, existing revenue sources with future revenue sources, each supplementing the other. Toward that end, province-level agencies must cultivate as priorities such major sources of revenues and profits as the electronic, food, textile, energy, raw materials, and arms manufacturing industries, which have a decisive effect on the finances of the entire province. As for the prefectures, municipalities, counties, and townships, they are to select promising enterprises for special support, thereby cultivating their own mainstay revenue sources.

(7) Strengthen the management of state properties and that of state compensation funds. Launch a province-wide pilot program this year to take stock of state properties systematically in accordance with a plan. Find out how much state properties there really are. Verify the ownership rights of state properties and do a good job in ownership rights registration in order to tidy up the property rights relations of state properties.

(8) Further improve the corps of finance and tax workers in earnest. Work harder to promote honesty in government. Educate the workers unremittently to serve the people wholeheartedly and be honest and professionally ethical. Heighten their awareness of opposing corruption and promoting clean government endlessly. Strengthen the anti-corruption system in government. Step up supervision and inspection to ensure that finance and tax cadres handle matters impartially and fulfill their duties.

Shaanxi Higher People's Court Work Report
92CM0245C Xian SHAANXI RIBAO in Chinese
15 Mar 92 p 2

[Article by Jiao Langting (5604 2597 0080), president of the Shaanxi Higher People's Court: "Shaanxi Provincial Higher People's Court Work Report"]

[Text] In 1991 people's courts at all levels in the province adhered to the party's basic line, put into effect the spirit of the fourth meeting of the Seventh Provincial People's Congress, and began work across the board in all areas of the administration of justice under the leadership of party committees and the supervision of people's congresses at all levels in order to maintain social stability and safeguard

economic development. For the year as a whole, a total of 142,135 cases of all types were dealt with, up 11.25 percent over 1990. In all 125,740 cases were closed, an increase of 9.46 percent compared to 1990.

The law and order situation in Shaanxi in 1991 was basically stable, with a drop in the number of criminal cases. Still, the law and order situation remains quite grim. To maintain law and order in society, courts at all levels throughout the province have severely punished a large number of serious offenders as provided by law. During the year, 14,670 criminal cases were closed after a trial, up 2.98 percent over the preceding year, and 15,309 criminals were legally sentenced.

In 1991, all courts in the province accepted and heard a total of 69,504 civil cases, an increase of 3.04 percent compared to the year before, and 62,520 cases were brought to a close, up 5.33 percent. The courts accepted and heard 14,068 cases involving economic disputes, up 13.45 percent, of which 11,869 cases were brought to a close, up 22.27 percent, settling the fate of the 326 million yuan in dispute. The courts accepted and heard 1,374 administrative cases, up 88.48 percent, of which 1,237 cases were brought to a close, up 96.04 percent.

The work of the people's courts will be even more strenuous and arduous in the new year. The main areas of work to be tackled are as follows:

1. Crack down on serious criminal activities to create a good social environment for economic construction. As a major instrument of the people's democratic dictatorship, the people's courts must firmly crack down on hostile elements engaged in counterrevolutionary instigation, elements clothed in religious garb but engaged in counterrevolutionary activities, and the ringleaders and backbone elements of counterrevolutionary cliques. Criminals who seriously jeopardize social order, including murderers, robbers, and people who cause explosions, should continue to be dealt with severely and swiftly under the law. Launch an in-depth anti-theft campaign. Criminals guilty of one of the "six evils" shall be tried and sentenced amid extensive publicity. Economic criminals must be severely dealt with in accordance with the law. The administration of justice must be made an integral part of the comprehensive treatment of law and order in society.

2. Fully utilize the judicial function to adjust economic relations and contribute to the reorganization of large and mid-sized state enterprises and the development of the rural economy. 1) Contribute enthusiastically to the drive to put large and mid-sized state enterprises on a solid footing. Promptly hear and resolve cases involving large and mid-sized state enterprises, particularly cases involving "triangular debt." Take pains to protect intellectual property rights and compensate the economic losses of the individual whose rights have been violated. Properly handle the variety of cases that occur in the course of deepening enterprise reform and macroeconomic regulation and control. Resolve economic disputes arising from enterprise contracting, joint operations, mergers, bankruptcies, and economic relations with foreigners and

people from Hong Kong and Taiwan. Correctly handle the relations among the three parties: the state, the collective, and the individual. Support the success of the strong and the elimination of the weak. Assist enterprises in opening up the domestic and foreign markets. 2) Work hard to contribute to agriculture and rural work. By trying all sorts of cases arising from contracting in the countryside, the courts can improve the management of contracting and stabilize the responsibility system revolving around the household responsibility system of linking remuneration to output. By trying cases involving contractual disputes—buying and selling contracts, credit, joint operations, processing, storage, and S&T cooperation, the courts can expedite the development of the commodity economy and revitalize agriculture with S&T. In cases where the manufacturing and sale of counterfeit pesticides and chemical fertilizers and seeds of an inferior quality have hurt agriculture, the peasants affected must be compensated for their losses in accordance with the law. In addition, the perpetrators must be held criminally liable. By trying cases involving township and town enterprises, the courts can promote their healthy development. By carefully handling cases involving woodland, irrigation works, and orchard contracting, the courts can eliminate destabilizing factors and keep the countryside stable. 3) Continue to publicize the spirit of the resolution of the provincial people's congress and step up enforcement.

3. Raise the quality of judicial work. Courts at all levels must enhance the judicial personnel's sense of enforcing the law strictly and increase the extent of their legal knowledge and their competence. Improve the administration of justice system endlessly. Accept the people's representatives' supervision and criticisms with an open mind. Begin a round of law enforcement inspection in earnest.

4. Strengthen grassroots construction. Fulfill the courts' important role in preserving social stability and developing the rural economy. Continue to abide by the principle of orienting themselves to and strengthening the grassroots. Improve leadership over the work of the people's courts. Strengthen the construction of people's courts across the board politically, organizationally, professionally, and ideologically.

5. In accordance with the principle of "consolidating the basics, strengthening the grassroots, and opposing peaceful evolution," we must tackle the construction of the corps vigorously. Courts at all levels must strengthen routine ideological-political work, carry out systematic in-depth education in basic Marxist theories, oppose and resist bourgeois liberalization, and stay highly consistent with the CCP Central Committee politically and ideologically. As an essential part of the construction of the corps, the cultivation of honesty in government must be tackled unremittingly until it bears fruit. Step up the construction of the leading group and reserve cadres.

Shaanxi People's Procuratorate Work Report
92CM0245D Xian SHAANXI RIBAO in Chinese
15 Mar 92 p 2

[Article by Yang Lie (2799 3525), procurator general of Shaanxi People's Procuratorate: "Shaanxi Provincial People's Procuratorate Work Report"]

[Text] In 1991, the province's procuratorial organs carried out their legal supervisory responsibilities in earnest and achieved new results in all areas of procuratorial work, making due contributions to the preservation of social and political stability in the province, the safeguarding of reform and the open policy, and smooth economic progress.

Province-wide, procuratorial organs accepted and heard 1,998 corruption cases last year and 1,235 cases were placed on file and investigated, up 2.4 percent compared to the year before, including 883 corruption cases and 352 bribery cases. Of the cases placed on file, 282 involved over 10,000 yuan each or were committed by cadres above the county or league level, 1.4 percent more than last year. Thus far 1,241 cases have been resolved, and 213 cases (including cases left over from the year before) are still open, yielding a case closing rate of 85 percent. In all, charges were filed against 559 people, another 471 people were not charged, and 235 cases were dropped. The recovery of 10.30 million yuan in stolen money and goods was sought.

Shaanxi's procuratorial organs also worked hard to investigate a host of economic crimes involving the misappropriation of public funds, tax evasion and tax cheating, and trademark theft. A total of 11.65 million yuan in stolen money and goods was recovered from these cases.

Over the past year, we made the preservation of social stability our starting point and worked closely in cooperation with the public security organs and courts to continue to operate in strict accordance with the principle of meting out justice severely and promptly. We launched special campaigns targeting special cases and cracked down on all sorts of serious criminal activities, effectively arresting the upward trend in criminal activities. Last year procuratorial organs across the province accepted and heard 19,130 cases in which public security organs applied to the procuratorate for permission to make an arrest, down 17.6 percent from a year ago. After investigation, permission was granted to make an arrest in 16,056 cases, down 19.6 percent. Of these cases, 5,079 were serious cases, 12.6 percent less than 1990.

During the past year, the province's procuratorial organs strengthened procuratorial work by raising consciousness, stepping up leadership and increasing personnel, and handled the cases aggressively. The results were outstanding. For the year as a whole, the procuratorial organs accepted and heard 1,665 law and discipline cases of all types and placed 705 on file for investigation, up 4.8 percent compared to the year before. Of these cases, 59 were major or special cases, the same as the year before.

In law and discipline procuratorial work, we focused on the priorities and aggressively went after five kinds of cases that occurred frequently and did a lot of harm to society: the extortion of a confession by torture, illegal detention, bending the law to benefit one's relatives, dereliction of duty, and serious accidents arising from one's negligence. Altogether 611 such cases were placed on file for investigation, accounting for 62.8 percent of all cases placed on file.

Ideological-political work and the construction of the corps were intensified last year. Of all procuratorial organs at all levels in the province, 266 procuratorates and their subordinate functional departments were judged by the appropriate departments at a higher level to be advanced collectives, and 1,491 people were commended and rewarded, up 13.2 percent and 15.2 percent, respectively, compared to the year before. Efforts to tighten up the discipline of cadres and the police and to clean up their practices were under way all over the province. Problems were uncovered and leads identified. A number of cases in which the law was broken were carefully investigated. Province-wide, a total of 34 cases involving 34 individuals were placed on file for investigation.

Also initiated were procuratorial activities aimed at "tightening law enforcement, combating corruption, and promoting clean government." In over four months in the latter half of 1991, procuratorial organs in the province carried out a comprehensive review of the way the procuratorial organs enforced the criminal code, criminal procedural law, the procuratorial organic law and other laws, and the way they ensured honesty among cadres and policemen, paying special attention to cases that had been returned for investigation, cases which were not placed on file for investigation, cases where no arrest warrants were issued, cases in which no one was prosecuted, cases in which charges were not filed, cases in which a wrong arrest was made, cases in which charges were filed by mistake, ultra vires cases, cases which were not dealt with within the specified time limit, as well as situations in which a cadre or the police broke the law or violated discipline. In all, 16,553 criminal cases of the various types mentioned above were reexamined, 31 percent of all cases handled. All cases reexamined were dealt with in a "one case, one form" manner. They were assigned to specific individuals,

examined collectively, and reviewed and verified by the procuratorial committee. This way the quality of the investigation was assured.

The tasks in procuratorial work for 1992 are as follows. First, continue to win the war against corruption and bribery and encourage and rely on the masses to inform on and expose people involved in corruption and bribery. Concentrate energies on investigating major cases so as to take the struggle against bribery crimes to a deeper level. Second, crack down on serious criminal activities. Enforce the law strictly and swiftly, especially going after counter-revolutionary criminals and other criminals who seriously jeopardize social law and order. Continue to do a good job in special category struggle and special treatment and take an active part in comprehensive treatment to improve law and order in the province. Continue to strengthen the supervision of investigations and the administration of justice, promptly making suggestions to correct situations in investigative and judicial work that violate the law. Where the courts have indeed erred in their judgments and decisions, appeals shall be made in accordance with the law. Third, further intensify law and discipline inspection. Handle all cases diligently, focusing on major cases and others involving the extortion of a confession by torture, illegal custody, favoritism, fraudulent practices, dereliction of duty, and accidents caused by one's negligence in order to protect the legitimate personal and democratic rights of citizens and bring the party and the people closer together. Also, fulfill legal supervisory responsibilities all around. Do a good job in prison procuratorial work and charges-filing and appeals procuratorial work. Fourth, greatly expedite the development of the corps of procuratorial workers. Continue ideological and political work unremittingly. Launch thorough socialist ideological education; education opposing peaceful evolution; education that aims to serve the people; and education in professional ethics, professional discipline, and professional responsibility. Accept supervision by the masses willingly and do an even better job in procuratorial work.

Editorial on New Investment Trend Across Straits
92CE0411B Taipei CHING-CHI JIH-PAO in Chinese
31 Mar 92 p 2

[Editorial: "The New Wave of Investment Across the Taiwan Straits"]

[Text] The trend of investment by Taiwanese businessmen in Mainland China, which has grown gradually since around about the time when martial law was ended in Taiwan, peaked in 1990, and began to recede in 1991, has recently seemed to be showing signs of a resurgence. As to the plans of Mr. Wang Yung-ch'ing [3769 3057 1987], who has always had a fine reputation as a clever Taiwanese operator, to join with petrochemical industry consumer industries in setting up a special zone in Fujian and Guangdong for plastics manufacturing, not only has the government not interfered with his plans, but the Minister of Economic Affairs has even commented that the general trend of Taiwanese businessmen investing in mainland China in search of better investment conditions should be good for manufacturers and business firms.

In addition, the regulations on the relations between people across the Taiwan Straits, which have been taking so long to be settled during three sessions of the Legislative Yuan, finally passed through their first trial by the Examination and Approval Commission the other day, and are expected to be put completely into law in the near future. This will bring a genuine legal jurisdiction to the Taiwan-PRC economic and trade relations that have already expanded surreptitiously to their current state.

Meanwhile, the PRC leadership has already appropriately aimed its future Taiwan policy at the most important objective of endeavoring to actively use all means to attract Taiwanese investment to Mainland China. Since the small Special Economic Zones (SEZ's) along the southeastern Chinese coast have been displaying such an enormous capacity to attract foreign investment, (the Pudong district in) Shanghai is being developed into a zone that is even more special than these SEZ's, which has become Mainland China's most recent offensive. In light of Shanghai's existing industrial and commercial development qualifications per se, such as its splendid historical setting as an international trade and banking center, its superior port facilities, and its vast hinterland along the Chang Jiang river basin, Shanghai has a far greater development potential than Shenzhen or Guangzhou could even hope for. As it would be hard to even imagine the aftershock to all of Mainland China as well as all neighboring countries of the lifting of the many heavy fetters from this economic giant, we can predict that the Shanghai region will become a far greater attraction to Taiwanese businessmen than the Zhu Jiang Delta.

In addition to the publicly expressed plans of the Taiwan Plastics Group to take the concrete action of making a large investment in the southeastern Chinese coastal zone, several other large Taiwanese enterprise groups have long since quietly moved their production and marketing activities to Mainland China. As opposed to investors in small- and medium-sized enterprises, these large groups have cast

their greedy eyes on Mainland China's vast domestic markets. As these large enterprises with their rich economic might have already gradually broken through the many obstacles that keep domestic Chinese markets closed, if they further coordinate their actions with the PRC's active new offensive to attract Taiwanese investment, they are likely to even more easily make a "long light-cavalry drive" straight into the heart of Mainland China, and confidently invest more money and resources there.

In light of such interrelated surging forces, we are very likely to see before long another high tide of expansion in Taiwan-PRC economic and trade relations, which may not be comparable in strength to the roaring waves and rolling breakers of the last one three or four years ago. But in addition to the difference in force, we think that these high tides also have the following significant differences:

1. As the last high tide was actually caused by a sudden change in Taiwan's economic climate, which forced many labor-intensive enterprises that relied on cheap labor for manufacturing for export to go abroad in search of space in which to subsist, it occurred all of a sudden with no rhyme or reason and, after one quick surge, lacked sustained might. But as the rising high tide has been planned through long observation, and is dominated by steadily advancing enterprise groups, which not only are acting in a planned way with a carefully arranged setup, but also have abundant and continuing reserves, it is likely to be a steady, sure, and sustained offensive operation. Such a greatly different style of operation will be bound to usher in a new era of investment in Mainland China by Taiwanese businessmen.
2. The small enterprises involved in the last high tide, which exploited legal loopholes and even slipped away secretly in violation of the law, not only chose their investment targets in a disorderly and unsystematic manner and drifted with the tide like a swarm of bees, but also involved many words and deeds that were despicable, base, and absolutely unethical, which left a negative image of Taiwanese businessmen as being overperfumed sordid merchants. But as laws and regulations are gradually becoming more concrete and rational, the involvement of groups of honestly operated large- and medium-sized enterprises will gradually reverse this negative image. We certainly cannot treat lightly the great role that this will play in repairing the identity gap across the Taiwan Straits and sprucing up the image of Taiwanese enterprises;
3. The first group of small investors was limited to the self-qualified and knowledgeable, almost all of whom concentrated on a strip of the Zhu Jiang Delta around Shenzhen and Guangzhou. While they joined forces with Hong Kong businessmen, where a market economy atmosphere was naturally already widespread, their impact was very limited and, as time has passed, they are no longer able to play much of a marginal role. But as the current wave of large- and medium-sized operators, whose sights are aimed at Mainland China's domestic markets, have operating goals that are not dominated by manufacturing for export like the first wave, they will not flock to the Zhu

Jiang Delta where conditions are no longer very favorable, but are more likely instead to expand in a planned way to the north or even into central China. As they expand into new areas, their market economy message will be rapidly dispersed in the long-repressive communist society, so that they will have a greater impact than the previous small investors.

4. But the most significant difference of this new high tide is that the last one occurred naturally under the raging forces of the time. On one hand, the PRC had opened up its southeastern coastal zone, which freed up much cheap labor and land while, on the other, the big change in Taiwan's economic climate had forced many operators to flee in search of space for their machinery, equipment,

technology, and markets that were about to become worthless in Taiwan. This was what created within a few short years such a bustling and booming scene for southeastern coastal China. But the current high tide is occurring gradually due to the false allure of the domestic Chinese market. There can be no authentic domestic Chinese market without full purchasing power, which principle many U.S. and Japanese investors in the past grasped thoroughly only after a number of years of lesson-learning. As export markets are gradually becoming saturated, the good times of the PRC export sector are gradually drawing to an end. Thus, it seems that the hard work that we are putting into shifting our Mainland Chinese investment activities onto the right track is going to lead to the same sort of sighs that one hears over the ending of a beautiful sunset.

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