

7 MAY 1990



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

# ***JPRS Report***

# **China**

**DISTRIBUTION STATEMENT A**

**Approved for public release;  
Distribution Unlimited**

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA. 22161

**DTIC QUALITY INSPECTED 3**

**19980518 195**

# China

JPRS-CAR-90-038

## CONTENTS

17 MAY 1990

### INTERNATIONAL

#### GENERAL

- GUOJI ZHANWANG Predicts 1990's Developments [GUOJI ZHANWANG No 1] ..... 1  
Cold War Seen Disruptive To East Europe's Socialism [SHIJIE ZHISHI No 4] ..... 3

#### UNITED STATES

- SHIJIE ZHISHI Criticizes U.S. Latin American Policy [SHIJIE ZHISHI No 4] ..... 7

#### NORTHEAST ASIA

- Challenges in North-South Korean Dialogue [SHIJIE ZHISHI No 4] ..... 9

#### NEAR EAST/SOUTH ASIA

- Outlook for Political Settlement in Afghanistan [GUOJI WENTI YANJIU No 1] ..... 11

#### SUB-SAHARAN AFRICA

- Diplomatic Relations Severed With Lesotho [Maputo NOTICIAS 10 Apr] ..... 16

### POLITICAL

- Strengthening Enterprise Party Organizations [QUNZHONG No 1] ..... 17  
Assessment of 'Future Political Star' Zou Jiahua [Hong Kong KUANG CHIAO CHING No 208] ..... 19  
Shortcomings of Policy Law [TIANJIN SHEHUI KEXUE No 1] ..... 21  
Administrative Reform Seen Part of Overall Reform  
[NANJING DAXUE XUEBAO: ZHEXUE SHEHUI KEXUE BAN No 1] ..... 26  
CPC Guards Against 'Solidarity' in Unions [Hong Kong CHAO LIU No 36] ..... 32  
Profile of Shanghai Mayor Zhu Rongji [Hong Kong CHING PAO No 3] ..... 35  
Theoretical Workers Mark Lenin's Birthday [RENMIN RIBAO 26 Apr] ..... 38

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

- Call for Advancement of Reform [GAIGE No 1] ..... 39  
Macroeconomic Regulatory Problems, Solutions Discussed [GAIGE No 1] ..... 41  
Enterprise Subsidies Discussed [JINGJI YANJIU No 1] ..... 44  
Freight Charges To Rise, Consumption Taxes To Fall [XINHUA] ..... 51

#### PROVINCIAL

- New Open Trading Foreign Exchange Center in Fujian [FUJIAN RIBAO 16 Mar] ..... 51  
Tasks Outlined For Maintenance of Price Stability [FUJIAN RIBAO 15 Mar] ..... 52  
Role of Individual, Private Economy Reaffirmed [ZHEJIANG RIBAO 30 Mar] ..... 52  
Call for Continued Promotion of Contract System [ZHEJIANG RIBAO 28 Mar] ..... 52

#### FOREIGN TRADE, INVESTMENT

- Perfecting Technology Import Legislation [GUOJI SHANGBAO 17 Mar] ..... 53  
Sino-Hungarian Trade Agreement Signed [GUOJI SHANGBAO 29 Mar] ..... 55

## ECONOMIC ZONES

Joint Venture To Build Overseas Village in Ningbo [ZHEJIANG RIBAO 14 Mar] .....	55
Sole Proprietorships Increase in Zhuhai [YANGCHENG WANBAO 23 Mar] .....	56
Results of Pilot Projects in Shenzhen Endorsed [NANFANG RIBAO 26 Mar] .....	56

## LABOR

Promising Prospects for Labor Export Viewed [JINGJI CANKAO 19 Mar] .....	57
Suggestions for Developing Labor Export [JINGJI CANKAO 21, 22 Mar] .....	59
Relationship of National Wage Bill to National Income [JINGJI RIBAO 27 Mar] .....	61

## AGRICULTURE

Shanxi Governor Discusses Water Shortage Problem [ZHONGGUO SHUILI No 3] .....	63
Jiangsu Rural Savings [XINHUA RIBAO 10 Apr] .....	65
Anhui Livestock Production [ANHUI RIBAO 12 Apr] .....	65
National Flue-cured Tobacco Area [NONGMIN RIBAO 12 Apr] .....	65
Increased Soybean, Sunflowerseed Procurement Prices [HEILONGJIANG JINGJIBAO 18 Apr] ...	65
Water Problems in Henan Viewed [RENMIN RIBAO 18 Apr] .....	65
Roundup of Hainan Agricultural Development Plan [XINHUA] .....	67
Country Breeds 21 Varieties of Rapeseed [XINHUA] .....	68
Guangdong's Export-Oriented Agriculture Discussed [XINHUA] .....	68

## SOCIAL

New Trends in Social Science Methodology Discussed [SHEHUI KEXUE No 1] .....	70
Discussion of Deteriorating Moral Values, Integrity [SHEHUI No 1] .....	74
Minister of Supervision Discusses Anticorruption Work [MINZHU YU FAZHI No 2] .....	79
Literature, Arts Circles Regroup After 4 June [Hong Kong CHING PAO No 3] .....	83
Science, Culture Fund Set Up in Yanan [XINHUA] .....	87

## MILITARY, PUBLIC SECURITY

Benefits Accrued From Mobile Militia Contingents [KEXUE WENHUA BAO 31 Mar] .....	88
Changde Supports People's Armed Police Units in Hunan [KEXUE WENHUA BAO 31 Mar] .....	89

## REGIONAL

### EAST REGION

Fuzhou-Xiamen Cultural Route To Be Developed [FUJIAN RIBAO 12 Mar] .....	91
Fuzhou To Lead Four Cities .....	91
Editor's Postscript .....	91
Jiangxi Cadres Punished for Abusing Privileges [Jiangxi Radio] .....	91

### NORTHEAST REGION

Li Changchun Describes Tasks Needing Cadre Leadership [LILUN YU SHIJIAN 5 Feb] .....	92
Quan Shuren Gives Guidance to Liaoning Enterprises [LIAOWANG No 9] .....	94

## TAIWAN

Li Teng-hui Suspected of 'Independence' Leanings [TZULI WANPAO 1 Mar] .....	96
Gang of Four, Taiwanese Style [Hong Kong MING PAO 9 Mar] .....	96
Juvenile Crime 'Major Social Concern' [Hong Kong TA KUNG PAO 11 Mar] .....	97
Open Letter to National Assemblymen [TZULI WANPAO 18 Mar] .....	97
Entrepreneurs Want Direct Trade With Mainland [CHING-CHI JIH-PAO 23 Mar] .....	98
New Tide Faction Views National Affairs Conference [TZULI WANPAO 25 Mar] .....	101

## GENERAL

### GUOJI ZHANWANG Predicts 1990's Developments

90CM0055A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 1, 8 Jan 90 pp 3-4

[Article by Guo Longlong (6753 7127 7127) entitled: "Welcoming the Final Decade of the Century, a Look Ahead at the International Situation in the Nineties"]

[Text] The world has already entered the decade of the nineties. By any stretch of the imagination this will be a very important decade. The year 1990, which signifies the beginning of a brand-new era, also signifies that we are at the eve of the end of the century. The nineties, as the final decade of this century, are a direct link with the 21st century. Standing at this historical turning point, people already have a presentiment of some of the startling changes that will occur: The post-World War II Yalta system is disintegrating with each passing day, a new world order is still taking shape, and the world is in the process of major change as the old is being replaced by the new.

As a period when one century is being superseded by another and as a period of transformation of old into new structures, speaking of the international situation of the nineties in comparison to the eighties is a task of some complexity. On the one hand, the two changes of direction that emerged in the eighties, namely, the change from confrontation to dialogue, and from tension to relaxation, may continue on into the nineties. On the other hand, in the relaxed situation, new complex and disruptive factors could emerge, which, though there is a great deal of uncertainty, could produce a decade fraught with both relaxation and turbulence, violent upheavals and division.

What changes will occur in the international strategic situation of the nineties? Though there are still many unknown factors, it is possible to at least grasp the major trends.

1. The trend toward multipolarity will continue. The positions of the superpowers, the Soviet Union and the United States, will not change in the short run.

Due to the arms race and the imbalance in the levels of economic development of the superpowers, the real strength of the Soviet Union and the United States will be weaker than in the eighties, and their influence on world affairs will clearly decline. At the same time as this is occurring, the economic power of Japan and West Europe will rise sharply. According to government publications, at the end of 1987 Japan's overall national assets already exceeded those of the United States, and had reached some \$43.7 trillion. In 1988, Japan's trade surplus with the United States reached \$5.21 billion, a figure which represented nearly one-half of the U.S. trade deficit. For 1990, the estimate for Japan's military budget is some 416.88 billion yen. This figure is second

only to those of the United States and the Soviet Union. The economy of the European Economic Community (EEC) has also been continuously expanding for a number of years, and its trade volume already represents 37 percent of world trade. Among the EEC countries, the economy of West Germany has developed fastest; its 1988 export total exceeded those of the United States and Japan. Clearly, the postwar Yalta order which was based on Soviet-U.S. relations is being breached, and the trend toward a multipolar world is continuing to develop.

This trend may continue to be strengthened in the nineties. According to forecasts by economists, the rate of growth of the Japanese economy in the nineties will continue to rank first among the developed countries, and, after the 1992 establishment of West Europe as a "large unified market without boundaries," its regional overall economic strength will also continue to grow. The influence of the Soviet Union and the United States will continue to fall during the nineties. The influence of the Soviet Union on East Europe will be greatly weakened and diluted. The East European countries will also not obey the dictates of the Soviet Union as in the past. And with East and West Europe being drawn progressively closer together, with an increase in the position of West Europe in overall world affairs, with East Europeans managing their own affairs, and with Europeans using a common voice to favor the trend in this direction, the position of the United States will certainly be weakened. U.S. Secretary of State James Baker's recent statements concerning the need for the continued existence of NATO and favoring an official position for NATO and the United States within the EEC reflect the concern of the American people in this regard.

But the trend toward a multipolar world in the nineties will still not result in any fundamental change in the position of the two superpowers. This is because, in terms of overall national strength, Japan cannot compare with the United States and the Soviet Union, and, according to calculations of Japan's present rate of growth, its GNP will be able to overtake that of the U.S. by 2001 at the earliest. As for the EEC, according to the most optimistic calculations, the GNP of its 10 member countries (including Spain and Portugal, which joined in 1986) in the year 2000 will reach only \$4.68 trillion. Hence, it is clear that, although the economic development of the major countries in the nineties will be unbalanced, this can only result in a balancing of strength, but cannot lead to a new arrangement of the positions of the major countries.

Looking again at military affairs, despite the fact that the momentum of the arms race between the United States and the Soviet Union will be progressively weakened, both sides still possess substantial numbers of nuclear weapons. NATO and the Warsaw Pact will also continue to exist as before, as up to now there has been no military bloc that can supplant them. Moreover, the arms race and arms control will also inevitably continue to exist side by side, developing in turn. The development of the



situation in recent years proves that despite the fact that various disarmament negotiations have made progress, the arms race with the United States and the Soviet Union as the major adversaries still continues, though the focus of the competition has changed from the number of weapons to the weapon quality and towards a new generation of weaponry. This is all sufficiently clear, and, despite the fact that the trend toward a multipolar world could continue into the nineties, the position of the two superpowers will not be fundamentally altered in this decade.

2. The situation in East Europe could be turbulent and unstable for a substantial period of time. Europe will remain a key region in the rivalry between the Soviet Union and the United States.

Europe has been a critical area in the postwar confrontation between East and West. Following the period of the seventies, in line with the expansion of the U.S.-Soviet confrontation to areas outside of Europe, and particularly in keeping with the trend toward U.S.-Soviet detente and the reduction in the level of weapons in Europe which accompanied this, a trend toward disunity has emerged between the "two Europes" and the "two superpowers," and the ability of the "two superpowers" to control the "two Europes" has clearly been reduced.

In view of all the undecided factors in the current situation in East Europe, it looks as though the East European situation in the nineties could be turbulent and unstable over a fairly long period of time, and the United States could seize the opportunity to increase its influence there. The strategic intent of the United States is the desire to bring East Europe under the leadership of the United States in a "great household of European democratic countries," and establish a "a fully integrated and free Europe." Giving tit for tat, the Soviet Union's strategic intent is the desire to hold East Europe together as far as possible, to divide relations between the United States and West Europe, and eventually, to abolish the two major military blocs, reducing U.S. influence in Europe, and establishing a "complete house of Europe."

Because at present, in the struggle involving confrontation with the United States in Europe, the Soviet Union has lost considerable ground and faces many difficulties within its own borders, the Soviets have adopted a greatly limited and tolerant approach toward East Europe. A news report leaked from the Malta summit stated that the Soviet Union had three bottom-line concerns when it came to East Europe. First, the West should not push East Europe into the Western camp and change East Europe into a springboard for anti-Soviet activity. Second, the United States cannot interfere with the internal affairs of the Soviet Union. Third, the postwar boundaries cannot be changed. The Bush administration, despite having substantial strategic goals for East Europe, has been inclined to be cautious in terms of tactics. Proceeding from a consideration of its own strategic interests, the United States also does not

want the course of development of the situation in East Europe to exceed its ability to control the situation. For this reason, at the Malta summit, the United States struck a tacit agreement with the Soviet Union: The United States, under the premise that the Soviet Union will not interfere in the changing situation in East Europe, conditionally accepts the Soviet terms. But, from a long-term point of view, there is no question of a compromise concerning U.S. and Soviet interests in Europe, and in the end the essential interests of both sides will emerge. If sooner or later the situation becomes prone to develop independently of the will of the people, and the situation in East Europe develops in the nineties in a short period of time toward a breakthrough of the respective bottom lines of both sides, then the U.S.-Soviet rivalry in Europe certainly could turn white-hot.

Former U.S. Secretary of State Henry Kissinger, in drawing a rough sketch of the nineties, spoke thus: "The fulcrum of international tension in the 1990's will again return to its origin—Europe." Europe will still be the focal point of U.S.-Soviet rivalry, the difference being that in the period just prior to this decade, the U.S.-Soviet rivalry focused on the periphery of Europe, while the present rivalry has already begun to go deep within the focal point of Europe.

That West Europe at present also occupies a dominant position in terms of rivalry with the United States in East Europe is a subject that also deserves some attention. In view of the current situation developing in East Europe, West Europe is already discussing the issue of the sudden rise of West Germany. If a unified Germany becomes a reality within a short period of time, its influence would far exceed that of Japan, thereby fundamentally changing the international order. For this reason any questions relating to German reunification will attract the close scrutiny of the United States, the Soviet Union, and the other European countries. It may be asserted that, during the decade of the nineties, the development of the situation in East Europe will attract still greater attention from the Soviet Union and the United States.

3. The West intensifies its promotion of "peaceful evolution." The ideological struggle becomes more prominent.

Under a situation of East-West detente, the West will place more stress on the method of "peaceful evolution." Particularly in the present situation, in which many of the socialist countries are encountering difficulties, the Western countries will seize the chance to indulge in unbridled propaganda concerning the value systems and social systems of the West in order to increase their influence and benefit. The period from May 1989 when Bush proposed going "beyond containment" until the July summit conference of the heads of seven Western countries where the strategy of "peaceful evolution" for the socialist countries was coordinated illustrated this point.

One clear characteristic of the struggle between the socialist system and the capitalist system in the nineties will be that the Western countries, utilizing the temporary stability of their situation, will continue to launch ideological attacks against the socialist countries currently in a state of unrest. For example, the current U.S. policy toward East Europe carries a strong ideological tinge. The Bush administration has not only time and again unequivocally stated that its policy for East Europe must promote the movement of the East European countries toward "freedom, democracy, and market economies" and toward evolution into capitalist systems, indulging in unbridled propaganda to the effect that "communism has become bankrupt throughout the world," but also its specific policies and actions are permeated through and through with ideological considerations. However, when these actions by the West reach the extent of interference in the internal politics and infringement on the policies of other countries, it is bound to give rise within the affected countries to some degree of heightening of the ideological struggle, thereby, within certain conditions and scope, giving prominence to the ideological struggle, so that it may even reach a fairly intense level.

Another characteristic of the ideological struggle in the nineties is that the United States and the Western countries will treat the Soviet Union and East Europe as the two main areas of struggle, because the forces advocating and pursuing the replacement of socialism by social democracy are concentrated mainly in the Soviet Union and East Europe. Yet the Western countries' "peaceful evolution" offensive against the Soviet Union and East Europe could result in an intensification of national contradictions—the religious contradiction and territorial contradictions left over by European history—so far as to give rise to conflict and the emergence of hot spots. If this situation occurs, the European order could be thrown into chaos, and major unrest could emerge. For this reason, we must make a sober appraisal of the complex nature of the ideological struggle of the nineties.

4. The scientific and technological revolution will become the most dynamic factor in international relations. A variety of destabilizing factors will continue to exist.

The new science and technology based on the information revolution will continue to develop and receive the attention of many countries in the decade of the nineties. A number of scientists have forecast that at the end of this century and at the beginning of the next, there will be a new scientific and technological revolution in many advanced fields, and high-technology fields will achieve breakthroughs, particularly in such areas as computer science, the aviation and space industries, the materials industry, and biological engineering. This could lead to large-scale changes in the productive forces, thereby spurring the world's economy toward a period of major development.

As the coming decade will be one of preparation for the breakthroughs to be achieved by the new scientific and technological revolution, this revolution will become the most dynamic factor in international affairs in the nineties. The scientific and technological revolution will be bound to give rise to a revolutionary development of the world's productive forces in the nineties, laying a foundation for the economies and military strength of the major countries, and thereby even more strongly accelerating development of the trend toward a multipolar world. This trend toward a multipolar world also could in turn accelerate the trend toward further stress on the development of science and technology by the major countries of the world, thereby enabling science and technology to make even greater strides in the nineties.

In order to occupy the dominant position in the new technological revolution, each of the major countries will launch intense competition and engage in a scramble for this position in the nineties, as whoever can occupy the leading position in the new technological revolution will be able to become hegemonic in terms of the world economy. At the same time, following changes in strength, the frictions and contradictions among Western countries could become progressively more prominent, in places even reaching a level of significant intensification. This will also be a major characteristic of international relations in the nineties.

The tendency toward relaxation in the nineties will continue to benefit the Third World in terms of the international environment for development. However, it must also be noted that relaxation is a tortuous process brimming with contradiction and struggle, antagonism and conflict, and compromise and cooperation. In particular, under the conditions of the development of the world economy and high technology, the gap between the North and South will become progressively wider. Divisions could also emerge in the Third World; a small number of countries could become developing industrial countries and areas, while for the majority of countries the difficulties will increase. For this reason, some new conflicts could erupt both within countries and among countries, and some old conflicts which have cooled down could also emerge anew. This range of possibilities cannot fail to attract our attention. The final item worth noting is that in the nineties the economy of the Asian-Pacific region will see considerable development, and its position will continue to rise, something which will be extremely beneficial for China. In sum, the international situation in the nineties will be full of danger and challenge as well as hope and opportunity.

#### **Cold War Seen Disruptive To East Europe's Socialism**

90CM0050A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 4, 16 Feb 90 pp 9-11

[Article by Liu Zuxi (0491 4371 3556) and Yang Hua (2799 5478): "The Serious Effects of the Cold War on Eastern Europe"]

[Text] After World War II, the countries of Eastern Europe set up people's governments under the leadership of the communist parties and took the socialist road. This was an important component part of the historical progress of socialism. However, the progress of postwar Eastern Europe was not peacefully undisturbed, as it experienced, almost every 10 years, one great turmoil or another. In 1948, the Cominform, organized by communist parties of nine European countries, passed a resolution condemning Yugoslavia, and this was followed by large-scale purges in the various countries of Eastern Europe. In 1956, following the 20th National Congress of the CPSU, the Polish and Hungarian incidents occurred. In 1968, five countries, the Soviet Union along with Poland, Germany, Bulgaria, and Hungary, used military force to suppress the reform movement in Czechoslovakia. In 1980, a wave of nationwide strikes broke out in Poland, and saw the formation of the "Solidarity" trade union. And, in 1989, an even greater peril of unprecedented seriousness swept over the six socialist countries of Poland, Hungary, Germany, Czechoslovakia, Bulgaria, and Romania. Now, Eastern Europe seems to have reverted to a situation that existed in the early postwar years, with various different forces appearing on the political stage in a trial of strength between various propositions, and it is once more facing serious choices in determining the direction of future developments.

The causes leading to the present situation in the socialist countries of Eastern Europe are of great variety and complexity. Some are internal factors and some are the result of external influences; and each country, moreover, has its own specific problems and particular causes. However, behind the variegated and complex phenomena, there was one common and fundamental problem, namely that all countries of Eastern Europe found themselves under the cloud of the cold war between the Eastern and Western blocs, they were grievously subjected to the pressures of hegemonism and power politics, unable to establish independently and in accordance with their own specific national conditions a socialism with the special characteristics of the particular countries in question. We may say that the cold war distorted the developmental road of socialism in the countries of Eastern Europe and was the major cause for the protracted instability in the East European situation and for the repeated disturbances that occurred there.

After having gained victory in their antifascist struggle for national liberation, the countries of Eastern Europe progressed on the road from people's democracy to socialism. During the early years of liberation, communist leaders in the East European countries generally believed that they could and, furthermore, had to advance along a road of a socialism that had special characteristics and that would differ from the socialism of the Soviet Union, but that would be based on the postwar historical conditions and the special conditions in Eastern Europe. They pointed out that having completely destroyed the fascist occupiers and their puppets,

having smashed the old state machinery, and established in the course of national democratic revolutions regimes of people's democratic dictatorships, the countries of Eastern Europe would, therefore, not need to again pass through direct proletarian revolutions of the kind of the October Revolution, or have to institute a direct proletarian dictatorship somewhat on the lines of the Soviet system, but would rather be able to build on the foundation of a consolidated and developed system of people's democracies in effecting their transformation to socialism in a peaceful and democratic way. For this purpose they proposed, politically, preservation and development of a people's democratic united front based on the worker-peasant alliance formed during the antifascist war, including a part of the medium and small capitalist class in joint opposition to the large landowners and large capitalists who had betrayed the country and gone over to the enemy. They, furthermore, proposed alliances of the communist parties with the social democratic parties, to rally all antifascist democratic parties of the bourgeoisie, and to organize people's democratic coalition governments. Economically, they proposed after confiscation of all enemy and bogus government property, and through land reform in the rural areas and nationalization of large industries in the cities, to institute a people's democratic economic system with a predominant state-run economy, but also permitting private business operations and individual economy. With regard to foreign affairs, they proposed maintenance and development of the traditional foreign relations of all East European countries, broad participation in international economic cooperation, and also the formation of a Balkan federation, in order to achieve unity and to strengthen the position of the East European countries in Europe and in the world. They believed that the road of people's democracy was a unique socialist road which would not only guarantee a steady advance toward socialism of the countries of East Europe, but would also constitute an even greater appeal and attractiveness for other countries in Europe and in the world.

In the beginning, the Soviet Union approved and endorsed the theory and practice of having all East European countries advance toward socialism via people's democracy. In recalling his discussions with Stalin in July 1946, Klement Gottwald, communist leader of Czechoslovakia, said, "Comrade Stalin mentioned that after the defeat of Hitler Germany in World War II, the ruling class in many countries had become discredited, and political awareness of the broad masses had been greatly raised. These historical conditions have opened up many possibilities and roads." He pointed, as examples, to Yugoslavia, Bulgaria, and Poland, as well as to the example of Czechoslovakia, pointing out that they could go their own special ways to socialism without the need to pass through a period with a system of soviets or through a dictatorship of the proletariat. In the Soviet Union and in the various countries of Eastern Europe of those days, pluralism in paths toward socialism was generally recognized. Molotov's slogan of "the many

roads to communism" was regarded as an unquestionable truth which for a time was in widest circulation.

When the communist parties in the East European countries in the early postwar years firmly guided their peoples along the road of people's democracy toward socialism, they achieved huge successes and thereby gained a larger measure of trust and support among the people. They rallied the social democratic parties, linked together with some of the bourgeois democratic parties in establishing people's democracy as the common program, and set up united fronts under various names. There were, for instance, in Poland the National Unity Front, in Czechoslovakia the National Front, in Bulgaria the Fatherland Front, and so forth, and they based on these united fronts the organization of coalition governments. In the elections conducted during the years 1946-47, the communist parties achieved great victories and became leading forces in the coalition governments. In the Czechoslovak parliamentary elections of May 1946, the Communist Party gained 36 percent of all votes, making it the largest party of the country and electing Gottwald as president. In Bulgaria's October 1946 election of people's delegates, the Communist Party gained an absolute majority of the votes (53 percent), and Georgi Dimitrov was entrusted with the formation of the cabinet. In Romania's parliamentary elections of November of the same year, the alliance of democratic parties, headed by the Romanian Communist Party, gained almost 85 percent of all votes cast. In the January 1947 elections to the Polish diet (Sejm), the coalition of four parties headed by the Polish Communist Party gained in excess of 80 percent of all votes, and the leader of the socialist party, Bolislav Bierut, was elected president of the republic, while Jozef Cyrankiewicz, leader of the socialist party, which cooperated closely with the Communist Party, was appointed to the government's premiership (he later joined the Communist Party). Establishment of the system of people's democracies stimulated the enthusiasm of the masses for construction and liberated social productive forces. Eastern Europe's economy quickly recovered from the ravages of war and about 1947 had reached or was close to reaching prewar levels. All East European countries displayed at that time greater vigor and vitality than the Western countries, whether in democratic government or in economic development.

Just at the time when the countries of Eastern Europe advanced full of confidence along the road of people's democracy toward socialism, the antifascist U.S.-Soviet alliance gradually changed into a relationship of mutual antagonism and strife, and tension in the East-West atmosphere increased day by day. On his visit to the United States in March 1946, British Prime Minister Churchill, declared in his famous speech at Fulton, Missouri: "From Stettin on the Baltic to Trieste on the Adriatic an iron curtain has descended over Europe." This anticommunist speech was the curtain raiser for the cold war that was to envelop Europe, and the so-called "liberation of the East European countries enslaved

behind the iron curtain," a liberation propositioned under the banner of "freedom, democracy, and human rights," was the clarion call sounded by the Western countries. Later, the United States began to pursue its "strategy of containment," taking up the most prominent position in the cold war. In April 1949, the United States and countries of Western Europe set up the North Atlantic Treaty Organization. Later, the West imposed a blockade on the Soviet Union and the East European countries, engaged in ideological infiltration, political subversion, and even in military intimidation. The Soviet Union reacted to all this by adopting various measures and by an intensified control of Eastern Europe. In September 1947, the Soviet Union proposed the establishment by nine European countries of a Communist Information Bureau (Cominform). In January 1949, the Soviet Union sponsored the organization of the Council of Mutual Economic Assistance (CEMA). In May of 1955, the Warsaw Treaty Organization was declared inaugurated. Thus, there gradually evolved, step by step, a hostile confrontation of an Eastern and a Western bloc. To maintain control of Eastern Europe, the Soviet Union in 1948 openly accused Yugoslavia of slipping into "nationalism," and at the same time changed its attitude toward the road of people's democracy, demanding of all East European countries an immediate transition to socialism, complete "sovietization" based on the USSR model, and complete political, economic, and diplomatic coordination with the Soviet Union. It made the socialist construction in the various countries of Eastern Europe part of the Soviet global strategy, subservient to the domestic and external requirements of the Soviet Union. From then on, socialist pluralism was criticized, separate special roads toward socialism in countries of Eastern Europe were decried as "roads of nationalism," and all views and methods differing from those of the Soviet Union were regarded as heretical beliefs that departed from the classical ways of orthodoxy.

The cold war and Soviet pressure aggravated the internal contradictions in the East European countries and induced dramatic changes in the conditions of these countries. During the accelerated transition to socialism, starting in 1947-48, the following political incidents with longlasting repercussions occurred in Eastern Europe:

First, people's democratic united fronts broke up, coalition governments were dissolved, and the bourgeois democratic parties of East European countries all disintegrated within a short time; some were suppressed and dissolved, some discontinued activities, and some proclaimed their reorganization. In Hungary, leaders of the Small Landholders Party were charged with treason and arrested. The party dissolved itself, and the National Peasant Party ceased activities. In Romania, leaders of the National Agrarian Party were charged with espionage and arrested, the party was suppressed, the National Freedom Party was dissolved, and all other parties ceased activities. In Bulgaria, the leader of the opposition party was executed, and all parties were dissolved

with the exception of the Peasant Federation, which continued after a certain reorganization. In Poland and in Czechoslovakia the original bourgeois democratic parties were retained, and the National United Front and the National Front Federation were still formally maintained, but all these parties were purged and reorganized, and became thereafter completely insignificant. The coalition government also remained merely a name without substance.

Second, the merger of the social democratic parties into the communist parties was, by outward form, a union, but actually a deepening of the separation between the two. The labor movement in the East European countries has had its start in the 1870's and 1880's, at which time the social democratic parties were formed. At the end of the last century, the social democratic parties split; their left wing pursued the Marxist revolutionary line, while the right wing advocated the parliamentary road of revisionism. Following the October Revolution, the left wing transformed itself into the Communist Party with the help of the Communist International. During World War II, the communist parties combined with the social democratic parties to form the Antifascist United Front, and soon after the war formed the leftwing federation in the coalition government. In 1947, the Cominform demanded an end to the split in the ranks of the working class in the various countries of Eastern Europe and organization of united workers parties, which actually meant that the social democratic parties were dissolved, while only a small part of their members joined the communist parties. Subsequent to these mergers, some communist parties of Eastern Europe used such names as "social unity party," "united workers party," and so on. However, the compulsory organizational mergers did not accomplish a true ideological union, and the split among the ranks of the working class became even deeper.

Third, the internal purges within the communist parties created numerous cases of miscarriage of justice. To intensify its control of Eastern Europe, the Soviet Union demanded that the communist parties in the various East European countries purge all dissenting elements in their leadership levels, and itself directly organized and directed the large-scale purge movement. Many leading party cadres were labeled guilty of multifarious crimes such as "nationalism," "cosmopolitanism," "Zionism," and acting as "Western agents, spies, and secret agents." They were purged, sentenced, imprisoned, and even executed. The general secretary of the Polish United Workers Party's Central Committee, Wladyslaw Gomulka, was arrested and imprisoned. General Spokharski [2448 4122 0761 1422 2448 1015], who had distinguished himself in the war of national liberation, was also imprisoned, and 10-odd high military officers were executed. The secretary of the Bulgarian Communist Party's Central Committee and deputy premier, Kostov, was executed, and criminal sentences were passed on over 1,000 high-ranking cadres, while close to 100,000 party members were purged. In Hungary,

Layiko [2139 0122 0344], member of the Politburo and Central Committee secretary, was convicted and hanged, the incumbent minister of the interior, Kadar, was imprisoned, and criminal sentences were passed on over 4,000 leading cadres of the former social democratic party, including Hungarian veteran statesman Arpah Szakasits, who after merger of his party with the Communist Party had become chairman of the Hungarian Workers Party. Also convicted were many leading military personalities. In Czechoslovakia, the general secretary of the Communist Party Central Committee, Slansky, was sentenced to death, and death sentences were simultaneously passed on 10 other high-ranking leading cadres. Almost half the delegates who had been elected to the Central Committee by the Ninth Congress of the Czechoslovak Communist Party were purged, its membership was reduced by over 800,000, which accounted for 35 percent of the total membership. These large-scale purges and trials, carried out during several years in Eastern Europe, did serious harm to the strength and prestige of the communist parties in these countries.

At the same time, dramatic changes were also brought about in the economic systems of the East European countries. In the later years of the 1940's and in the early years of the 1950's, the East European countries instituted full-scale nationalization of their industries and collectivization of agriculture. At the same time as capitalist private business operations were eliminated individual small commodity economy was suppressed. All business activities were incorporated in the state plan, commodity production was increasingly and severely restricted, and the market mechanism ceased to function. All countries instituted five-year plans and pursued economic strategies of developing primarily heavy industry. Traditional prewar economic relations with the various countries of Europe and the Americas were broken off by the East European countries, who were compelled to shift toward reliance on the Soviet Union, gradually becoming industrial processing plants and agricultural bases for the Soviet Union.

After experiencing the above-stated radical political and economic changes, the East European countries completely followed the Soviet model, established a socialist system according to the Soviet model, namely in political respects a highly centralized one-party state power and in economic respects complete plan control. Even though this system at certain periods and within certain limits could achieve a certain degree of socioeconomic development, it was unsuited to the historical traditions and prevailing conditions of the East European countries and could not ensure long-range social stability and continued economic development. Furthermore, this political and economic system on the Soviet model was forced on the East European countries by Soviet pressure and intervention and was felt emotionally unacceptable by the peoples of the East European countries. Moreover, after being made part of the "big family," which was manipulated by the Soviet Union, the East European countries were compelled to blindly and closely

follow in foreign affairs every step of the Soviet Union, for this reason being derided by the West as "satellites" of the Soviet Union, a fact that devastated the national self-esteem of the East European peoples. Although the East European countries had undeniably achieved certain successes during the 40-odd years since the end of the war, it was because these general and fundamental problems had been left unresolved for a long time that the developmental road toward socialism, which had been distorted by the impact of the cold war and by Soviet control, and which was unsuited to the national conditions of the East European countries, could not bring into play the superiorities which are the peculiar merit of the socialist system.

Obviously, in order to advance, the East European countries cannot but reform this type of political and economic system on the Soviet model which is unsuited to their national conditions. Of course, that does not mean at all that they have to abandon socialism itself and reject the socialist road which the various peoples of Eastern Europe had already chosen as early as shortly after the end of the war. It is unavoidable that reforms must to be undertaken by the East European countries, but reforms cannot possibly be successful without firm adherence to the socialist direction. There is still the problem that the development of the East European situation, including its present turbulence and its future direction, has to submit to the restraints of the overall international situation. At present, the East-West military confrontation is tending to relax, but in the political and ideological fields the struggle will become fiercer. This new cold war, which is daily becoming more critical under the new situation, will still seriously affect the East European countries. At all events, it has already been historically proven that capitalism cannot provide the East European countries with peaceful tranquility and happiness. It is still a matter left to the exploration and creativity of the various East European peoples how to render socialism suited to the national conditions of the East European countries and how to bring into play socialism's requisite superiorities.

## UNITED STATES

### SHIJIE ZHISHI Criticizes U.S. Latin American Policy

90CM0052A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 4, 16 Feb 90 pp 4-5

[Article by Shen An (3038 1344): "The Latin American Policy of the United States in the Light of Two Military Actions"]

[Text] At the end of last year and at the beginning of this year, the United States twice engaged in major military actions, which evoked general condemnation in Latin American and in the whole world. And those fighters for so-called "freedom," "democracy," and "human rights"

in the West remained "silent as a cicada in cold weather" when faced with such naked aggression and high-handed action.

On 20 December last year, a U.S. Army of several 10,000 men, equipped with the most modern war equipment, openly invaded Panama, toppled the Noriega regime, and forcibly removed Noriega to the United States to be tried. We are afraid that this was not less of an action than that year's Soviet invasion of Czechoslovakia and their kidnapping of that country's leader. The new Panamanian Government has estimated that the U.S. invasion of Panama has cost the lives of over 600 soldiers and civilians, has made several tens of thousands of people homeless, and ended with the imprisonment by the U.S. military of as many as 5,000 military and civil government personnel. In economic respects, Panama has suffered losses amounting to \$10 billion. The United States has, furthermore, rigged up a new Panamanian state machinery, with its government, defense force, and police, and what is even more obnoxious, the U.S. military broke into foreign embassies and into private residences of foreign diplomats in Panama to conduct searches and to arrest foreign diplomats. Although a part of the U.S. Army has begun its withdrawal from Panama under pressure of very strong international public opinion, the U.S. Government is still refusing to effect a complete withdrawal.

After achieving the purpose of its aggression against Panama, the U.S. Government has immediately, according to predetermined plan, declared that it will deploy a strong naval force in the Caribbean along the coast of Colombia for "antidrug exercises," intercepting planes and ships that are shipping drugs. On 5 January, in disregard of strong opposition by Latin American countries, the United States ordered a drug-suppression flotilla of four naval vessels, among them the aircraft carrier Kennedy and the nuclear-powered cruiser Virginia into the Caribbean. This high-handed action of compulsorily deploying a military force at the front gate of another country in disregard of the sovereignty and will of the Latin American countries has evoked strongest protests from Colombia and the other Latin American countries. [Bernardo] Jaramillo Ossa, presidential candidate of the Patriotic Union, said that the United States was "just one step away" from invading Colombia. The Colombian Government also warned the U.S. Government that without the consent of President Barco no U.S. warship may approach Colombian territorial waters. Colombia furthermore ordered its own Navy and Air Force to intensify patrol of the sea to protect its sovereignty. At the same time, Colombia, Venezuela, and other governments declared their refusal to participate in so-called "antidrug exercises" in the Caribbean, as proposed by the United States. Faced with this situation, the Bush administration was compelled to order its "antidrug fleet" back and abandon the "antidrug exercises."

With regard to the above-mentioned acts of the United States, some Latin American leaders have commented

that the United States at a time of relaxed relations with the Soviet Union, reserves for itself the "right" to interfere militarily in the Latin American countries and in other small and weak countries. Public opinion has at times sternly pointed out that such aggressive moves by the United States are a continuation of a historical policy of interference in Latin American affairs and an extension of the so-called "Reaganism," which had its start in the early 1980's.

In U.S.-Latin American relations throughout the entire 1980's, there was one problem that affected the overall situation and permeated the whole period from beginning to end, namely the question of Central America. The Central American question has always been considered by the United States as within the sphere of the general East-West confrontation, and the Reagan administration was ever more intent on affording resolution of the Central American crisis a very prominent position in its foreign policy concerns.

The following was the situation in Central America in 1981, when Reagan entered the White House: In Nicaragua the Sandinista revolution was victorious, in El Salvador the guerrilla war intensified, and the overall situation in the other Latin American countries was also one of great restlessness. The diplomacy of human rights pursued by the Carter administration had the effect of aggravating relations between the United States and a considerable number of Latin American states ruled by military men. In 1977 the Carter administration signed a new Panama Canal Treaty with the Panamanian Government, agreeing to transfer the canal and full sovereignty over the canal zone to Panama. In 1979, before the victory of the Nicaraguan revolution, the Carter administration abandoned support of the Somoza dictatorship and established regular relations with the Sandinista regime. Surveying the overall situation, the Reagan administration saw rising strength of the independence movement in the Latin American countries, expansion of Soviet influences, and, on the other hand, a weakening of U.S. influence. Faced with this situation, the Reagan administration intensified its intervention in Central America as a kind of "push-back strategy," meaning to push back Soviet influences in conducting a "low-intensity war," which then also became one of the important components of so-called "Reaganism." In more specific terms, the United States intended to use political, economic, and military aid to control El Salvador, Costa Rica, and Honduras, organizing the so-called "Tegucigalpa bloc," and forming an encirclement around Nicaragua. Aid provided by the United States to the said three countries during the past eight years amounted to several billion U.S. dollars, accounting for over half of the total amount of aid to all of Latin America. The United States, moreover, supported the armed antigovernment Nicaraguan "Contras" with the intention of toppling the Sandinista regime by a "war by proxy." In addition, the United States effected political isolation of the Sandinista regime in Nicaragua, imposed an economic blockade, carried out a military encirclement, instigated and supported domestic opposition

parties to carry out disturbances, and allocated funds to support opposition parties in their participation in elections. The United States further strengthened its military presence in Central America, directly threatening Nicaragua. From 1981 on, the United States dispatched a large number of military advisers to take part in the Salvadoran civil war, established 10-odd military bases in Honduras, to assist the armed detachments of the Nicaraguan contras. The United States conducted hundreds of military exercises of varying scales on Central American territory, the largest of these exercises involved a military force of over 10,000 men, and the most provocative of these exercises took place only a few kilometers from the Nicaraguan border. U.S. military personnel also directly participated in attacks on Nicaraguan troops in the Nicaragua-Honduras border region, and the United States deliberately obstructed and undermined efforts by the Contadora group and the Lima group to promote the peace process in Central America. When the domestic crisis erupted in Panama in 1987, the United States took advantage of the opportunity to intervene and by various means interfered in the internal affairs of Panama. It started with imposing economic sanctions, increasing its military forces in the Canal Zone, and instigating military rebellion during the days of the Reagan administration and ended with the Bush administration's direct military occupation of Panama. The purpose of the United States is to continue its forcible occupation of the Panama Canal and protecting U.S. interests in that area.

Reviewing U.S. activities in Central America and the Caribbean during the 1980's, it is obvious to everyone that the influences of the Monroe Doctrine and of "gunboat diplomacy" have not yet been blotted out. Since U.S. President Monroe proclaimed in 1823 the slogan "America is an America of the Americans," the United States has always used this slogan for the expansion of its influence in Latin America. The slogan actually became "America is an America of the United States of America." Moreover, the United States has always used gunboat diplomacy to implement the Monroe Doctrine. Starting in the 19th century, the United States has interfered in or invaded Latin American countries more than 20 times. After the war, the United States, by drawing a border line around an "ideological border region," is still in actual fact implementing the Monroe Doctrine. Using the pretext of countering communist infiltration, the United States interfered in and invaded Latin American countries. In the 1980's, the pretext was to evict Soviet influence, when the United States continued to preserve its hegemonic position in Latin America, and gave a new significance to the Monroe Doctrine. In 1982, the Reagan administration frankly pointed out in a document of the National Security Council's Planning Committee: "Speaking of our short-range concern, we must eradicate the influence of Cuba and the Soviet Union in this area (Central America); speaking of our long-range concern, we must establish politically stable countries that can resist these influences." After coming to power, the Bush



administration has also not abandoned these objectives. As for the gunboat policy, the Reagan administration in November 1983 invaded Grenada in a military action, and last year the Bush administration again invaded Panama, so that we may say that there is here one uninterrupted line of conduct.

According to public opinion, although implementation of "Reaganism" allowed the United States to control the development of a Central American crisis and allowed the United States to recover from the Soviet Union some territory, such as Grenada, when we consider the overall situation, the United States has essentially failed to achieve its strategic objectives in the Latin American area. The Nicaraguan Government has not collapsed, while the contras have lost their vitality; the Salvadoran guerrillas maintain a certain fighting strength; the contradictions in the Central American countries are still intense. Will it then be possible for the Bush administration today, by invading Panama and by making a show of force before the Latin American countries, to achieve the objectives of forcibly occupying the Panama Canal Zone and of dominating Central America? Considering the condemnation presently emanating from the Latin American countries, the United States finds itself in these respects already in an unprecedented state of isolation. The Latin American problem that the United States will have to tackle in the future will possibly become much more acute and complex.

## NORTHEAST ASIA

### Challenges in North-South Korean Dialogue

90CM0053A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 4, 16 Feb 90 pp 12-13

[Article by Yu Shaohua (5713 1421 5478): "Developments and New Focal Points in North-South Korean Relations"]

[Text] The North-South Korean dialogue is now being pursued more intensely than ever before. The questions on which public opinion presently focuses are whether the concrete wall on the southern side will be dismantled and also on the joint U.S.-South Korean military exercises soon to be held, in March.

The division on the Korean peninsula has now persisted for 45 years. At this juncture, having moved from the 1980's to the 1990's, certain new developments in the North-South Korean dialogue have attracted the people's greatest attention.

### Tendency Toward a More Lively Dialogue

In the last year of the 1980's, the situation on the Korean peninsula was comparatively quiet, while the North-South dialogue was the most lively since 1985. Particularly in the latter half of 1989, energetically stimulated by North Korea, North-South talks were resumed at the deputy-minister level and about sports events—they had already been very lively at the beginning of the year—

and talks were also again taken up concerning Red Cross work, talks which had been interrupted for 10 months. During the last two North-South meetings at the deputy-minister level, negotiations, energetically supported by both sides, finally agreed on a designation, namely the term "high-level North-South talks" for the future meeting of the North and South Korean presidents. Both sides also agreed on the place for the first meeting between the presidents of North and South Korea, on the agenda for the meeting, and on the composition of the delegations. Progress was also made on preparatory meetings between the Northern and Southern national assemblies, seven meetings between the two sides having already taken place in the latter half of 1988. During the eighth meeting, at the end of 1989, both sides, while maintaining fundamental standpoints of the past, proposed revisions to the agenda, as a result of which basic agreement was achieved on including the question of a "declaration of mutual nonaggression." Besides this, the discussions on Red Cross work and on sports events also attracted great attention. On the question of organizing a joint North-South Korean team to participate in the 11th Asian Games, North and South Korea held six official meetings and three contacts between working-group personnel. Both sides agreed that the joint name of the team shall be "Korea," the team's flag shall not show any writing or emblems but will show a single-color map of the Korean peninsula, and the folk song *Ariran* shall serve as team song. Very satisfactory solutions were finally also achieved, thanks to concessions by the North Korean delegates, on some much argued questions, such as the selection of the leader of the joint team and the transcription in Chinese characters of the team name. It may be said that the two sides displayed last year a certain flexibility and convergence of opinions on some questions. North and South agreed completely to have the negotiation on the "declaration of mutual nonaggression" placed on the agenda of the interparliamentary talks, a fact that indicates that both sides have almost identical views, at least formally, on the elimination of the mutual military confrontation.

However, public opinion believes that a substantial breakthrough has not yet been achieved in the multichanneled dialogue, and it may perhaps become impossible, for various reasons, to implement even some points that have already been agreed upon. In the matter of the mutual exchange of art ensembles, originally fixed for 8 December, and on the question of reuniting separated members of families, a deadlock was reached because the South opposed performance by the North in Seoul of the famous operas *The Flower-Selling Maiden* and *A Sea of Blood*.

### Two Topical Problems

At present, apart from the multichanneled dialogue that has been or will be going on between North and South, public opinion focuses attention on the following two questions, namely on whether the concrete wall built on



the southern side will be dismantled and on the joint U.S.-South Korean military exercises to be held in March.

A new year has just started, and in his New Year address, Chairman Kim Il-song made a new proposal: To dismantle the concrete wall south of the Korean military demarcation line and institute free travel and complete opening up between North and South Korea. The purpose of this proposition is to eliminate the mutual distrust that has built up over a long period of time between North and South Korea and to seek national reconciliation and solidarity, which will promote reunification of the Korean motherland. To negotiate these problems, Chairman Kim Il-song has proposed holding a consultative conference of North and South Korean authorities and leaders of various political parties, with participation of the highest leaders of both sides. On 4 and 5 January, Yi Chong-ok, member of the Politburo of the Central Committee of the Korean Workers Party and vice premier; and Ho Tam, chairman of the Korean Committee for the Peaceful Reunification of the Fatherland, each gave a written interview. Yi Chong-ok called the concrete wall "not only a symbol of the division of the nation, but also an insult to the Korean nation." He said, by tearing down the divisive obstacle and realizing complete opening up between North and South, "we shall certainly achieve a breach that will allow the early free and peaceful reunification of Korea." Ho Tam pointed out that Chairman Kim Il-song's proposition to tear down the concrete wall and implement the new plan for national salvation by instituting free travel and complete opening up between North and South will be a fundamental milestone in the course of events that will lead to opening up a large gate and to the solution of the problem of reunification.

The concrete wall on the south side of the Korean military demarcation line was started during the latter years in office of South Korea's former "President" Pak Chong-hui. The concrete wall is five meters high and 240 kilometers long, at some places still without watch-towers. This wall splits the whole of Korea into two parts. As roads are cut and free travel is blocked, reunification of the Korean fatherland cannot possibly make any substantial progress. On 9 January, the Korean Government and delegates from the various political parties held a joint conference in Pyongyang and dispatched a joint letter to the South Korean authorities and leaders of various political parties, suggesting to follow up on Chairman Kim Il-song's latest proposals by holding a preparatory meeting at Panmunjom by five-person delegations from both sides, North and South, to facilitate earliest convocation of a consultative conference of North and South Korean authorities and leaders of the various political parties, to discuss the important problem of tearing down the concrete wall and enabling free travel between North and South. However, we

understand that the North Korean letter has elicited not the slightest response from the South Korean side.

Although South Korea's "President" No Tae-u at his first press conference in the new year "welcomed" Chairman Kim Il-song's proposal for complete opening up between North and South Korea, he at the same time considered the North Korean demand for the dismantling of the concrete wall that separates North and South Korea as "a precondition that is hard to understand." According to public opinion, tearing down the obstacle to unification and instituting free travel between North and South Korea are problems that have to be resolved sooner or later by the Korean people in the course of attaining a peaceful unification of the fatherland. They are actions that should be approved, and they are a reality that the South Korean authorities cannot avoid in the long run.

On 10 January of this year, U.S. and South Korean defense forces jointly announced that they will conduct two weeks of "Team Spirit 90" joint military exercises, starting on 14 March, in South Korea. As everybody knows, the once-a-year joint U.S.-South Korean military maneuvers intensify, do not lessen the tense atmosphere of military confrontation on the Korean peninsula. It is for this reason that North Korea has consistently opposed these military exercises. As is evident from conditions throughout the years, the joint U.S.-South Korean military exercises in every case spread a dark cloud over Korea's North-South dialogue that usually takes place just at the same time, and in most cases the exercises compel an interruption or an indecisive ending to the talks. This year, South Korea has indicated that it will scale down the size of the joint military exercises "to help relax tensions on the Korean peninsula." However, looking at the information recently published by the U.S. and South Korean defense forces, we see that U.S. and South Korean forces taking part in this year's exercise will amount to 180,000 men, or only 20,000 men less than in past years. To counter this decision of the United States and South Korea, Major General Choe Ui-ung, senior member of the Korean-Chinese side of the Military Armistice Commission, on 13 January addressed a letter to Larry G. Vogt, senior member of the U.S. side of the Military Armistice Commission, demanding in strong terms that the United States and South Korea stop the "Team Spirit 90" joint military exercise. Public opinion believes that based on last year's dialogue between North and South Korea, a much more lively multichanneled dialogue will start in the middle of February, to organize the joint North-South Korean team that is to participate in the 11th Asian Games and to prepare the high-level conference that will have the presidents heading the two delegations. Under these conditions, the outcome of negotiation concerning the earlier mentioned two focal questions will have an immense impact on the situation at this year's North-South dialogue and even on the overall situation throughout the entire Korean peninsula.

## NEAR EAST/SOUTH ASIA

### Outlook for Political Settlement in Afghanistan

90ON0410A Beijing GUOJI WENTI YANJIU  
[INTERNATIONAL STUDIES] in Chinese  
No 1, 13 Jan 90 pp 36-40, 35

[Article by Hong Xicheng (3163 1585 6134): "Effort To Achieve Political Solution to Afghanistan Issue Reaches Impasse"]

[Text] The opposing sides in Afghanistan have fought each other for a year since the Soviet troop withdrawal, and victory has yet to be decided. The result has been a stalemate. The Soviet Union and the resistance forces held direct talks in order to find a political settlement, but these talks broke apart and have not been resumed. Both parties in Afghanistan now face a multitude of difficulties, and are hurriedly preparing for the military conflict which will surely resume in the spring. However, as each of the enemies has equal military power, a political solution can be the only way out.

On 14 April 1988, the Kabul regime and Pakistan signed the Geneva agreement, which was guaranteed by the Soviet Union and the United States. It required the Soviet Union to withdraw more than 100,000 troops that had invaded and occupied Afghanistan. In accordance with the terms of the agreement, all troops were withdrawn by 15 February last year, bringing to an end the nine-year war of invasion in Afghanistan. However, a victor has yet to emerge in the contest between the opposing parties in Afghanistan—the resistance forces and the regime of Najibullah's People's Democratic Party of Afghanistan (PDPA). Direct negotiations for a political solution between the Soviet Union and the resistance forces broke apart last year and have not been resumed. The Afghanistan situation has again reached an impasse.

#### I. Stalemate on the Battlefield

After a year of intense struggle between the opposing sides in Afghanistan, some changes, which are favorable to the Najibullah regime, have occurred in the situation on the battlefield. A large-scale offensive launched by the resistance forces has met with reverses. The current campaign season has passed and the prospects of capturing any cities are very remote. The Najibullah regime has held the national capital and all the provincial capitals. Although its situation is somewhat improved, it is only holding onto current positions and lacks power to expand the territory under its control. This has led to a stalemate in which one side controls the large rural areas while the other side occupies large and medium-size cities and important communications hubs.

The United States and other Western countries generally predicted that the Najibullah regime would be overthrown within a few months after completion of the Soviet troop withdrawal. Some even felt it unlikely that the regime would be able to sustain itself independently

for a few weeks. While these predictions have not been borne out, the PDPA regime bears responsibility for the Soviet military invasion and the unprecedented catastrophe it has caused. It is extremely unpopular and isolated and is in a very precarious position. Unable to talk peace, and facing a bleak future, it has taken two actions to respond to the situation. On the one hand, it has continued to publicize its "national reconciliation" policy and has repeatedly called for a cease-fire and negotiations. At the same, it has done everything it can to split the main resistance organizations, which are headquartered in Pakistan and Iran. It has used every stratagem at its disposal to appease and buy off armed tribal groups and other local powerholders. On the other hand, it has stepped up preparations for war, and on the third day following the completion of the Soviet troop withdrawal it announced a "state of emergency," reorganized its cabinet, replaced the non-PDPA premier and various ministers with members of the PDPA, and established a defense affairs committee. At the same time, it has drawn in its defense perimeter. It has withdrawn from rural villages, small towns, and peripheral regions, and has concentrated its troops on the task of defending such large cities as the national and provincial capitals. It has acted very cautiously and generally has not taken the initiative to attack. Only in this way, as the internal strife and divisions among the resistance forces have worsened to the point of war, has the regime managed to find an unexpected chance for survival in a desperate situation.

The resistance forces, in contrast, present an entirely different picture. Because of their persistence in a nine-year nationalist struggle against the Soviet Union, they have finally succeeded in repulsing a powerful enemy from their national territory. They have won universal praise from the people of Afghanistan and the entire world, enjoy broad support inside the country and abroad, and troop morale is high. Precisely for this reason, some leaders have felt that victory is close at hand, and that it will be easily achieved. They have begun to take the enemy lightly. Although they have stored up some arms and supplies in preparation for the final, decisive battle, their main attention has been drawn away by internal disputes over the future distribution of power. Some factions have actually taken this issue as their main focus and deliberately maintain their fighting strength. There have been battles of varying sizes during the past year in Gardez in the east, Qandahar in the south, Herat in the west, and in the capital of Kabul and the northern region. However, apart from a relatively intense battle for the key town of Khost, near the border with Pakistan, most confrontations have been a matter of harassment. The main battle between the two armies was in Jalalabad, capital city of the eastern province of Nangarhar. Jalalabad is the fifth-largest city in Afghanistan, with a population that normally stands at less than 100,000 (not counting the refugees who have flowed in from nearby areas of battle). It is 65 kilometers from the Pakistan border and 120 from Kabul, and is a

key transportation link between Afghanistan and Pakistan. Most of Afghanistan's imports and exports must pass through Jalalabad, and it has great strategic value. The seven party alliance based in Pakistan began a siege with 30,000 men on 6 March against the city, which was defended by more than 10,000 troops from Kabul. After half a year and 8,000 casualties, they were unable to capture the city, and points on the periphery which they had taken early on, such as Samarkhel, were subsequently lost.

There are many reasons why the resistance forces lost the battle for Jalalabad. The primary ones are:

1. They were anxious for victory, and charged pell-mell into battle without any coordination. One week after the Soviet withdrawal, a consultative conference composed basically of the seven-party alliance of Sunnis (who are the majority in Afghanistan) elected a provisional government dominated by the alliance on 23 February. In order to enable the government to move its operations within the country as soon as possible, it hastily launched an offensive against Jalalabad without sufficient preparation on the part of the various factions. During the battle, coordination and communications between the factions were thrown into chaos. The situation was not even as good as it had been before, when they had been fairly capable of acting in concert. At first, the problem was that guerrilla bands in other parts of the country remained where they were, which gave the enemy a chance to concentrate its forces. In particular, the Air Force was able to provide support to Jalalabad. Second, the attacking troops lacked coordination and communications. For example, when some guerrillas had already fought their way to a key target, the Jalalabad airport, they had to withdraw because other guerrillas continued to shell the airport intensely. Third, the blockade of Jalalabad was sporadic. The only highway would have been very easy to cut, but the job was not done thoroughly, which enabled the defending troops to get all sorts of support from Kabul.

2. Arms supplies have been insufficient. Because the United States had expected the Kabul regime to fall quickly after the Soviet troop withdrawal, and they feared that weapons in the hands of the guerrillas, particularly such advanced weapons as Stinger anti-aircraft missiles, could find their way into the hands of international terrorists, they had for a time reduced and suspended supply, which caused the front-line fighters of some factions to experience serious weapons shortages. This led to rebukes from Congress and the firing of the CIA official in charge of arms shipments to the resistance forces. In contrast, the Kabul regime has received a large, steady supply of weapons and various military necessities. U.S. officials have stated that the value of these supplies is \$250-300 million per month. They state that from the mid-February withdrawal through September, in addition to land routes, large jet transports carrying weapons, ammunition, fuel, and food have made more than 1,000 flights into Afghanistan. They also stated that weapons accounted for two-thirds to three-fourths of the

items sent to Afghanistan. Not only has quantity been quite abundant, but quality has risen significantly. Responsible Soviet officials have stated that the weapons now supplied to the Kabul regime are more advanced than those used by Soviet troops during their nine years in Afghanistan. There include a new "concussion bomb." According to a report by the U.S. WALL STREET JOURNAL, these also include the "Frog 7-B Missile," the An-12 bomber, the MiG-23BN high-altitude aircraft, and the Su-27 fighter-bomber, which is faster than the MiG-29. During this time period, the Kabul regime has launched 900 Scud surface-to-surface missiles. According to THE NEW YORK TIMES, there are more than 300 Soviet military advisers in Afghanistan who not only assist in the planning of military operations, maintain equipment, and train personnel, but also are in charge of missile safety, transportation, storage, and launching. Because the altitude of the bombers that the Kabul regime is receiving exceeds the range of the shoulder-launched Stinger missiles supplied to the Afghan guerrillas by the United States, the Kabul government's Army has regained control of the air. The imbalance in the supply of weapons has placed the Afghan resistance forces in a passive position in which they are vulnerable to attack.

3. Strategy and tactics have not been changed quickly enough. The resistance forces are adept at the hit-and-run tactics of guerrilla warfare, but are unfamiliar with conventional warfare. It would inevitably be a ferocious struggle if they tried to quickly capture a city like Jalalabad, with its formidable fortifications, multiple layers of defense, and one-kilometer-deep minefield. For this reason, some field commanders have advocated continued use of guerrilla tactics and a siege to reduce the enemy. However, the troops of several factions have charged separately into battle without training, practice, or adequate preparation, which has led to many meaningless sacrifices.

4. A unified policy regarding treatment of the enemy and tight organizational discipline have been lacking. Some guerrilla organizations have not been well-disciplined, which has hurt the reputation of the resistance forces. While the Soviet troop withdrawal was underway last year, the guerrillas captured the northern provincial capital of Qonduz, and in the process an incident occurred in which the local populace was harassed. Before the battle at Jalalabad broke out, some guerrillas killed the officers among their prisoners as they were leading them along a road. In a particularly notorious incident, after they captured Torkhum, a town on the Pakistan border, they were videotaped by personnel from the Kabul regime as they killed every one of the 75 officers among their prisoners and dismembered the corpses. The videotapes were widely used for propaganda. During this battle, the officers and men holding the city were willing to fight to the death, and the "mass surrenders" anticipated by the resistance forces did not occur. This was in clear contrast to the situation before, when the Kabul forces collapsed under the slightest

pressure, and mutinies and insurrections occurred right and left. The various factions in the resistance forces all used the tactic of long-distance rocket and mortar attacks—at times it was the only type of attack they carried out. Their accuracy was not great, and they often injured innocent civilians, which caused some negative reaction. Some units and individual soldiers casually left their posts or retreated from battle whenever they felt like it, which had a decidedly negative impact in battle.

5. Internal unity has clearly diminished. This was the key factor behind the loss of this battle. The lack of a concentrated leadership and a unified command, unrelated operations, and an every-man-for-himself style have always been the fundamental weaknesses of the resistance forces. Though not so obvious before, when they were fighting a guerrilla war, these flaws have become a serious problem now that the resistance forces are fighting to take a city. Furthermore, under favorable conditions in which victory is in sight, everyone has his own plan and is throwing himself zealously into the struggle over the future division of power. This has impeded combined combat operations. The various factions do not give each other strong support on the battlefield, which has given the enemy an excellent opportunity to defeat them one by one.

The battle of Jalalabad was one of this past year's most intense and decisive battles between the opposing sides in Afghanistan, and has representative significance. It illustrates the entire course of events on the battlefields, and has fully exposed the fatal weakness of the resistance forces—internal conflict. From the events there we can clearly see the main reasons that its military successes have declined so much.

## II. Both Opposing Sides Face a Multitude of Difficulties

The Afghan resistance movement has made important contributions toward defending the independence of the Afghan people, protecting the sovereignty of the nation, preserving regional and world peace, and maintaining international justice. The movement has had a deep and far-reaching impact at home and abroad, and it occupies a politically dominant position. The movement has a large number of armed personnel, and the fate of the Afghanistan issue is in its hands. However, its membership is highly heterogeneous. Not only are there differences between the aims of different political parties, there are also conflicts between people with different religious, ethnic, racial, linguistic, and territorial backgrounds. This has caused continual internal conflicts in the movement. When the Soviet Army was occupying the country and the guerrillas were confronted with a powerful enemy, they were more or less able to concentrate on the larger picture, coordinate their operations, and fight in unison, but the total withdrawal of the Soviet Army meant that their common goal of resisting an invading nationality had been basically achieved. The situation then changed. Internal disputes and friction on

the battlefield gradually increased. The attack on Jalalabad failed because of internal strife in the resistance movement, and this failure in turn exacerbated the development of internal conflicts. This has seriously damaged the movement's reputation at home and abroad.

The Shi'ite eight-party alliance based in Iran and the Sunni seven-party alliance based in Pakistan had an open split last year as the Soviet troop withdrawal neared completion as the result of a dispute over the number of seats to be allotted to the various factions in the consultative conference and the provisional government which had been established. Cooperation and mutual support between the various factions on the battlefield declined markedly, while mutual recriminations, conflict, and even military clashes grew daily larger and more numerous. In the southwestern province of Helmand, a battle erupted as different factions sought to gain control of a bridge, and several dozen casualties occurred. A large-scale armed conflict between two of the most powerful factions in Farkhar caused a series of particularly harmful reactions at home and abroad. On 4 July, the famous guerrilla commander Ahmad Shah Massoud, who operates in the north and belongs to the Jamiat-i Islami, called a meeting of commanders from the war district in the provinces of Baghlan, Badakhshan, and Takhar in the Takhar Province town of Farkhar. They discussed the situation on the battlefield in the north, and they formulated a strategic plan for attacking the troops of the Kabul regime. After the meeting ended on 9 July, 11 commanders and 19 soldiers boarded two separate jeeps to return to their bases. On the road, they were ambushed by a guerrilla unit commanded by Said Jamal Agha, of the Hezb-e Eslami (Hekmatyar faction). Five persons were killed on the spot, and the other 25 were shot the following day. The Jamiat-i Islami reacted by vigorously condemning the Hezb-e Eslami, who for their part claimed that the affair was part of "an ethnic feud" and was not ordered by party leaders. The two factions traded bitter recriminations. Fighting again broke out on 8 July, and Vice Chairman wubaidula [?Abdullah 3527 2157 2629 2139] of the Hezb-e Islami stated in a press conference in the Pakistani border city of Peshawar that "the battle in Farkhar lasted three weeks and roughly 300 people were killed, of whom 200 belonged to the Jamiat-i Islami." The Jamiat-i Islami stated that it had captured the commander who had directed the ambush at Farkhar as well as several assistants. The Soviet news agency TASS quoted the proceedings of a press conference in Kabul in reporting that the conflict between the troops of the opposing factions had spread throughout several northern provinces, and that about 700 people had died. Five of the seven factions in the provisional government criticized the Hezb-e Eslami and Chairman Burhannudin Labani of the Jamiat-i Islami demanded that the Hezb-e Eslami be suspended from all the posts it held in the provisional government. Hezb-e Eslami Chairman Gulbuddin Hekmatyar subsequently announced that he would no longer participate in the provisional government's cabinet meetings or

perform his duties as foreign minister because the provisional government had not fulfilled its promise to hold elections in late August for a new consultative conference (the provisional government had promised at its formation to hold new elections for a consultative conference within a half year, but they were not held because most factions felt the conditions were not ripe and safety could not be guaranteed). At this point, internal conflicts within the main faction—the seven-party alliance of the majority Sunnis—further intensified, seriously weakening unity of the alliance and its provisional government. The United States denounced the Farkhar ambush, began to feel uneasy about the disputes within the seven-party alliance, and became very dissatisfied with the efficacy of the provisional government. The United States once discontinued going through them to supply aid and materials to the various resistance factions and instead sent supplies directly to guerrilla units in the field in hopes of exerting pressure on the feuding factions to restore good relations and strengthen ties in order to concentrate forces on the struggle to overthrow the current regime in Kabul. At the same time, the United States used this direct aid to win the allegiance of some field commanders in order to ensure that they would not side with the Kabul regime. Although part of the aid distribution has now been rerouted back through the provisional government, both methods are still in use.

Internal unity in the Afghan resistance movement is a longstanding problem. The seven-party alliance itself is relatively loosely organized and has always been subject to repeated internal disputes. Furthermore, this alliance is limited to a few relatively large and important factions. When the provisional government was established, it was not able to include the eight-party alliance, armed units fighting independently in Afghanistan, or political forces in exile in various Western countries. Its base of support is not broad enough, which has made it more difficult for the provisional government to link up with all possible forces in the prosecution of a common struggle for nationwide victory. The result is that the provisional government has yet to win broad support at home or widespread international recognition.

The PDPA, with heavy support from the Soviet Union, came to power by overthrowing the nationalist regime of Mohammed Daoud Khan. Because internal strife in the ruling clique grew worse and worse, the Soviet Union worried that the resistance might "derail." For this reason, they sent troops to intervene directly. The Soviet Union helped Babrak Karmal, the head of the Parcham faction, to replace president Hafizullah Amin, the head of the Khalq faction, who was murdered by the invading troops. Karmal organized a new regime under the PDPA. The current Najibullah regime took over control of the party, government, and military from Karmal at the bidding of the Soviet Union. For this reason, the regime of the PDPA is the "unhealthy aftermath" of the Soviet invasion, and it bears responsibility for the ravages of the invasion. This is the cause of its political

isolation, weakness, and internal and external pressures. Its image has improved slightly among the war-weary people of Afghanistan because of the Soviet troop withdrawal and its continued calls for peace. Its victories this year in battles to defend the cities has strengthened confidence in its ability to survive, and have bolstered morale, which had been extremely low. The regime has also paid greater attention to ameliorating relationships and reducing conflicts in order to strengthen internal unity. The regime released from prison Karmal's younger brother, Mahmud Barylai, as well as Misaq and Geerbandi [2047 1422 3803 6611] principal members of the Khalq faction who had been imprisoned since opposing Soviet military intervention. These latter were appointed, respectively, as deputy premier and as members of the party's Central Committee. The recently released Misaq has also become the mayor of Kabul. The Kabul regime has been somewhat successful in using these actions to gain support among Parcham faction backers of Karmal, and among the people at large.

However, the current Kabul regime suffers from more than just a narrow social base of support. It lacks internal stability. When factional strife settles down in one place, it erupts anew elsewhere. There is deep animosity between the two factions in the party. There is a deep split between hawks and doves. There are anti-Najibullah forces in society as well as in the party, government, and military. There are regular reports of unsuccessful coup attempts. The area under the control of the regime is small, sources for army recruits are exhausted, and the allegiance of "militia" (tribes and independent armed units), purchased at a high price, is more apparent than real. They cannot be relied upon, for they are likely to change sides when it is to their advantage. The Kabul regime is economically bankrupt. It has lost all rural support and its supply of agricultural commodities has been cut off. Few mines remain in production. Not only do military ammunition and supplies have to come from the Soviet Union, but even most grain, food, and other daily necessities for civilian consumption, as well. Particularly during the winter, when the mountains are locked in snow, transport is especially vulnerable to blockade by the guerrillas. Everything must be flown in, and prices skyrocket. If this continues for long, the Soviet Union will not be able to bear the burden. Once winter sets in, fuel will become scarce and market supplies will grow scarce.

In short, the longer the current stalemate continues, the better it will demonstrate the ability of the Najibullah regime to survive independently, and the more it will strengthen its bargaining position. However, that will not easily change the regime's basic weakness or its dire circumstances. With the current international climate, the situation is not likely to last long. As for destroying the resistance forces, controlling the entire country, and consolidating its rule, there is little real possibility of that.

### III. Prospects for a Political Solution

To sum up the preceding description, the Afghan civil war is now in a stalemate. One side will not easily resolve its internal disputes any time soon, so its prospects for achieving total victory are remote; while the other side cannot escape its multitude of political and economic difficulties, so it must accept the current situation and be content to maintain control of cities and towns in order to stabilize its military position.

Precisely because a military solution has not been attainable, calls for a political solution are gradually increasing. Ever since the guerrilla offensive suffered setbacks at midyear, diplomatic activities involving the various parties have become more and more frequent. Apart from continuous contact between the Soviet and U.S. superpowers, there has been continual shuttling back and forth between the Soviet Union and the Kabul regime, as well as between Iran and Pakistan. There have been ongoing discussions between the United States and Pakistan, Pakistan and Iran, and Pakistan and the resistance forces. Various other parties have been exploring and talking with the various guerrilla factions. There have also been some exploratory contacts between some of the factions among the opposing sides in Afghanistan. The various parties have all carried out discussions with the secretary general of the United Nations. Various solutions have been proposed. The Najibullah regime and the Soviet Union alone have raised several dozen proposals for direct negotiations with resistance forces, mediation by the United Nations and other international organizations, international and regional conferences, and conferences and working groups for specialists. When Pakistan Premier Benazir Bhutto visited the United States last year and discussed the issue of Afghanistan with President Bush, the two parties agreed to seek a political solution and to put forth an effort to establish a government with a broad base of support. When she met with UN Secretary General Perez de Cuellar, she expressed the hope that the United Nations would take new, active measures to help break the deadlock. The United States sent people to Rome to meet with former King Zahir and explore "his potential role in a political solution." The UN secretary general has advocated the establishment of a short-term, centrist government. Chairman Yasir 'Arafat of the Palestinian Liberation Organization is lobbying actively for his "peace plan," which calls for a centrist government to be formed of administrative and technical specialists. International conferences and regional organizations all have called upon the parties within Afghanistan to initiate a dialogue as soon as possible in order to establish a broad-based coalition government. The 44th Session of the UN General Assembly again passed a joint proposal by Pakistan and the Soviet Union for a total political solution to the Afghanistan issue in order to bring an end to the military conflict. All of these developments have injected new momentum into the search for a political solution to the Afghanistan problem and have been accorded great importance by the international community.

However, none of these developments have yielded any fruit so far, because the positions of the various parties are still far apart. The core issue, as always, is the participation of the PDPA in the government. Since the talks between the Soviet Union and the resistance forces broke off early this year, they have only had contact at midyear concerning the release of prisoners of war, and no other issues were discussed in these meetings. Although the Soviet Union has admitted that it was a mistake to invade Afghanistan, has hinted that Najibullah should give up power, and has expressed a willingness to negotiate with all parties, including the resistance forces, it nevertheless has not ceased providing many forms of support to the Kabul regime. The Soviet Union still views the PDPA as the "main political force" in Afghanistan, and insists that it participate in any future coalition government. Pakistan advocates "removing Najibullah and the hardliners in the PDPA from office." The Bush administration in the United States believes that "Najibullah is a puppet of the Soviet Union, and the guerrillas refuse to have contact with him," so he must relinquish power. Pakistan and the United States continue to support the Afghan resistance forces in their effort to overthrow the Najibullah regime. Iran is in favor of a political solution, but opposes the participation of Najibullah and the PDPA as a political party in any future coalition government. Opinion within the Afghan resistance movement is split. Some people lean toward peace negotiations. Abdul Haq, the commander of guerrilla forces in the Kabul area belonging to the Hezb-e Eslami (Khaless faction), believes that "the problem is not military in nature, but political." However, Hekmatyar and other hardliners are strongly in favor of overthrowing the Kabul regime militarily, and they refuse to be part of a political solution.

Former King Zahir has lived continually abroad. He has not participated directly in the struggle of resistance against the Soviet Union, nor has he had any relationship with the Soviet Union or the Kabul regime. He has significant influence within Afghanistan. With regard to his reappearance, before the signing of the Geneva agreement there were plans and calls for the resistance forces, refugees, and King Zahir (along with various military and government officials who had also gone in exile to the West) to form a coalition government together with the current Kabul regime. The Soviet Union and the Kabul regime opposed this idea at first, but later expressed acceptance of it. Pakistan Premier Benazir Bhutto feels "it is still too early" to talk about it. There are various positions on the matter within the Afghan resistance forces. Most moderates support it, but the majority of hardliners oppose it, especially the Hezb-e Eslami of Hikmatyar and the Ittehad-e Eslami (Islamic Alliance) of Abdul Rasul Sayyaf.

It is apparent from all of this that, although the Afghanistan "hot spot" has cooled down, it is still an international dispute which involves the interests of many different parties. It is one of the issues that cannot be left

off the agenda in talks between the Soviet Union and the United States. All of the parties directly involved in the conflict are still accusing each other of violating the conditions of the Geneva agreement. The two superpowers have yet to agree on a simultaneous cut-off of aid, and they are each supplying arms and ammunition at a greater rate than ever to their respective clients. Not only is the largest group of refugees in the world—the more than 5 million Afghan refugees in Pakistan and Iran—not returning home, tens of thousands more flee Afghanistan every month. The opposing parties in Afghanistan are not giving any concessions, and are stepping up preparations for the hostilities that are sure to break out in the spring. The prospects for a political solution are not bright at this time, but we should see an indication sometime this year whether a breakthrough can be achieved. However, unless some unforeseen change occurs, a political solution can be the only way out, given the evenly matched military capabilities of the opposing sides. Achieving a fair and reasonable solution to this problem through peaceful consultations, thereby restoring peace in Afghanistan as soon as possible, will not only win the approval of the calamity-stricken people of Afghanistan and the refugees abroad; it is also the fervent hope of the people of every country throughout the world, including Afghanistan's neighbor, China. This

is the direction in which the larger forces are moving, and sooner or later it will be a reality.

## SUB-SAHARAN AFRICA

### Diplomatic Relations Severed With Lesotho

90P40037Z Maputo NOTICIAS in Portuguese  
10 Apr 90 p 3

[Text] Last Saturday the People's Republic of China decided to sever diplomatic relations with the Kingdom of Lesotho, according to a Chinese spokesman. The decision came in the wake of Lesotho's recognition of Taiwan, which constitutes an integral part of continental China.

The Chinese spokesman added that news of the decision was forwarded to Sotho authorities by the trade attache at the Chinese embassy in Maseru.

According to the same source, the trade attache mentioned that Lesotho had, in 1983, recognized China as a sole and indivisible nation.

This small African country is the fourth with which China severed diplomatic relations for the same reason. The other three are Grenada, Belize and Liberia.



### Strengthening Enterprise Party Organizations

90ON0407A Nanjing QUNZHONG [THE MASSES] in Chinese No 1, 5 Jan 90 pp 16-17

[Article by Chen Yuying (7115 3768 5391), Changzhou Municipal CPC Committee secretary: "Strengthen Enterprise Party Organization"]

[Text] The Fourth Plenary Session of the 13th party Central Committee decided that vigorously strengthening party building one of the four major things that we should pay particular attention to. The whole party is studying and thinking about the issue of strengthening party building. Building enterprise party organizations is an important part of all party building and an urgent strategic task that faces us.

In terms of the position and function of enterprise party organizations, the enterprise party organization is in a central position in the enterprise, politically. It shoulders the important tasks of doing ideological, organizational, and work style building, managing party and government cadres, leading enterprise ideological and political work and building a spiritual civilization, guaranteeing and overseeing the thorough implementation of the party and state's principles and policies, and upholding the socialist direction of the enterprise. The enterprise party organization plays a key role in carrying out the party's leadership of enterprises. Enterprise party members in Changzhou City make up 11 percent of the enterprise employees and are an important mainstay force in the employee ranks. Stressing enterprise party organization building not only can guarantee that the party's line, principles, and direction are solidly grounded in the enterprise, but also can positively bring along and promote party building in the entire city. If enterprise party organization building is ignored, the role of the enterprise party organization is weakened, and education of the enterprise party member ranks is slackened, the consequences will be extremely serious. The disturbance in May and June of last year makes us more aware of this issue.

The demand of putting things in order, reorganization, and in-depth reform, are the guiding principle of economic work since the Third Plenary Session of the 13th Party Central Committee. This is closely connected with strengthening party building. Carrying out putting things in order, reorganization, and in-depth reform is inseparable from making the most of the initiative and self-consciousness of party organizations, the broad party membership, and especially party members and leadership cadres. Although we have made preliminary accomplishments in the present stage of putting things in order and reorganization in Changzhou City, we face many problems. The most outstanding of these problems, such as sharp contradictions in capital and markets, inadequate trust of some cadres and workers, and sliding production in some plants, seriously affect the financial income of the state and local areas. Basically, the resolution of these issues requires that we make the most of the role of party organizations at all levels, especially

enterprise party organizations, and, through active and effective work, unify thinking, rouse spirits, mobilize the initiative and creativity of Communist Party members to guide all employees to be self-sufficient, pool collective wisdom and strength, and together get through this difficult situation.

In terms of the enterprise party organization situation, the disturbance of last spring and summer was a severe test of enterprise party organizations. That Changzhou did not have any disturbances is inseparable from the work done by enterprise party organizations and the positive role played by Communist Party members. This means that the enterprise party situation in our city is good. However, it cannot be denied that Zhao Ziyang weakened the party's leadership and crippled enterprise party organization building amid the call for "strengthening" and "improving." Some party organizations relaxed management of party member education, ideological education was irregular and unsystematic, the positive ideological struggle within the party was not developed, the conviction of some party members wavered, purpose became confused, and the idea that "everything depends on money" developed. Some party organizations overlooked organization, discipline, and system building, and some party members' discipline was lax and bourgeois liberalism was serious. In some enterprises, many party affairs organizations were eliminated or merged, many full-time party affairs cadres were eliminated, workers in first-line production were few, and positive elements who wanted to join the party were few.

In his speech on the 40th anniversary of the PRC, Comrade Jiang Zemin said, "We should give serious attention to building grassroots party organizations and to changing the flabby and lax situation." This is extremely important. We definitely should face the problem squarely, research measures, and place considerable emphasis on building enterprise party organizations.

First, we should pay serious attention to ideological education of party members and constantly improve the quality of party members. During the past few years, ideological education of enterprise party members has become lax. This is an important reason why the quality of party members and the prestige of the party has declined. Hence, we should give ideological education of party members an important place in party building and make education on Marxism-Leninism and Mao Zedong Thought the central link. Ideological education should proceed from actual enterprise circumstances. In terms of content it should be well-focused, in terms of object it should pay attention to multilevelness. Theoretical study should be systematic; we should select and use suitable materials and not adopt a piecemeal approach. Ideological education should stress mode and method, and both should bring forth new ideas suited to the times and continue proven traditional methods such as orthodox methods of inculcation as party lecture education, teaching by example, and dialogue. This is a weak link



now and urgently needs to be improved. Lenin said that the worker could not have a socialist consciousness at first and that this consciousness could only be inculcated from the outside. The fundamental aim of our party's ideological and political work is to use Marxism-Leninism and Mao Zedong Thought to improve the political consciousness of the party member masses and improve their ability to understand and transform the world. We should utilize fully such bases as party schools, government schools, and cadre schools for ideological education, and use Marxism-Leninism and Mao Zedong Thought to arm the broad party members and cadres.

Second, we should uphold the principle of governing the party strictly and strive to increase the party organization's fighting strength. In carrying out the principle of governing the party strictly, enterprise party organizations should stress three links: 1) Be strict in demands on party members. "Strictness is love, slackness is damage," and education of party members is like this, too. We should be strict in demanding that party members behave in accord with the standards for Communist Party members and not evaluate party members by the demands for ordinary people. We should persevere in education and management of party members. The system of discipline and supervision should be strong and regular, so that each party member is truly educated, managed, and supervised by the party. 2) Be strict in the system of implementation. A complete set of rules and regulations has been created within the party. The current primary inclination is that some party organizations don't follow the rules they have, are not strict in enforcing discipline, and are even letting things drift. We should try hard to change this situation. 3) Be strict about checking and doing party member development work. In party member development we should uphold standards and resolutely operate in line with the formalities and procedures stipulated by party rules and regulations. We should pay particular attention to party member development among the outstanding elements of first-line production workers and cultivate positive elements in arduous posts to join the party. Only in this way can we improve the fighting strength of enterprise party organizations.

Third, we should make relations between party and government smooth and give full play to the functions of enterprise party organizations. Making party and government relations smooth is a point of emphasis in building enterprise party organizations and requires still further exploration. First, there should be unity in ideology and understanding. The plant manager and the party secretary are both leaders of the enterprise, it is only the division of labor between them that is different. They cannot contend over who is most important or who has the higher position. The plant manager and the party secretary cannot each go his own way, but must support each other, cooperate with each other, be kindred spirits, be of one mind, respect and understand each other, work together with one heart, and cooperate wholeheartedly to

carry out the building of two civilizations in the enterprise. A very important part of making party and government relations smooth is that the party organizations should carry out their responsibilities thoroughly and bring their guaranteeing and supervisory roles into play correctly. In terms of the experience of some Changzhou City enterprises that have handled party-government relations well, the guaranteeing and supervisory role of party organizations is manifested in paying attention to the major matters, being alert before the event, making proposals during the event, and summarizing after the event and definitely cannot only guarantee and not supervise or supervise and not guarantee. Simultaneously, party organizations should conscientiously undertake the function of managing cadres, should pay serious attention to selecting cadres from among the best workers, should improve training of the best workers who have a future, and truly manifest the party organizational line of wholeheartedly relying on the worker class. In addition, we should improve building a corps of party affairs workers. Besides giving full play to the present functions of party affairs workers, we should carry out replenishment and readjustment in line with the principle of first-class and highly effective, and build a corps of party affairs workers that has fighting strength.

Fourth, we should improve the building of the leadership team and truly give full play to the enterprise party organization's role as a fighting stronghold. Each grassroots organization of the party should become a strong fighting stronghold. Otherwise, improving party leadership will come to nothing and it will be hard to ensure the completion of the party's mission politically. We should carry out replenishment and readjustment in organizational structure in line with the principle of the "four modernizations" to adapt to the needs of the current situation and mission. Simultaneously, we should improve building ideology, building work style, and building the system. Work in these areas is even more urgent. In terms of Changzhou City's situation, now we should stress the following three points. 1) Uphold the principle of democratic centralism. This is the conclusion of our party's historical experience and an important indicator that measures the party organizations' fighting strength. In building enterprise leadership teams, we should pay attention to overcoming unprincipled democracy and undemocratic focus and should prevent the individual from giving orders. In putting things in order and readjustment, in both important decisionmaking of enterprise production management and arranging cadre affairs we should pool the wisdom of the masses and let the leadership collective make the decisions. 2) Uphold development of the excellent tradition of being in close touch with the masses. Practice proves that, as long as the party maintains close touch with the broad masses of the people, it can have vitality and fighting strength. Enterprise party organizations should open channels of dialogue, discuss matters with the masses, listen to the opinions of the employees, be concerned about the welfare of the employees, and constantly improve work. We should respect the

employee's position as master, carry out democratic management, and increase the cohesion and centripetal force of the enterprise. 3) We should uphold giving full play to the role of members of the party organization's leadership team taking the lead as models. If their behavior is correct their orders will be followed. Members of leadership teams at all levels should take the lead and act as models of arduous struggle, being honest in performing their official duties, and in working assiduously. Simultaneously, we should overcome flabbiness and laxness, dare to stress and manage, and truly give full play to the fighting stronghold of the party organization.

The Fourth and Fifth Plenary Session of the 13th Party Central Committee pointed the direction for enterprise party organization building. As long as our party organizations at all levels fully respect this, arouse their spirit, and establish solid measures, enterprise party organization building will definitely rise to a new level.

#### **Assessment of 'Future Political Star' Zou Jiahua**

90ON0420A Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese No 208, 16 Jan 90  
pp 14-17

[Article by Ch' Min-tung (2575 2404 0392): "Zou Jiahua—China's Future Political Star"]

#### **[Text] Zou Jiahua Has Taken Charge of the State Planning Commission and Will Soon Leave To Visit Japan**

After the "4 June disturbances" in Beijing, China's highest-ranking political official above the ministerial level received an invitation to visit Japan early in 1990. This invitation aroused great interest on all sides. The high-ranking CPC official involved is Zou Jiahua [6760 1367 5478], who not long before replaced Yao Yilin [1202 0181 2651] as the minister in charge of the State Planning Commission.

Zou Jiahua is currently a member of the State Council, the minister in charge of the State Planning Commission, and a member of the CPC Central Committee. He has a dignified appearance and great poise. He is a popular, capable, high-ranking bureaucrat. It is reported that his high rank in the CPC is about to rise even higher.

The State Planning Commission is the most important and powerful division of the State Council. The two previous ministers in charge of the State Planning Commission, Song Ping [1345 1627] and Yao Yilin, were members of the Standing Committee of the CPC Central Committee Politburo. The 72-year-old Yao Yilin resigned in order to concentrate efforts on helping Li Peng gain control over the day-to-day affairs of the State Council. It is predicted that, after Zou Jiahua takes over as minister in charge of the State Planning Commission, he will achieve new success in managing and developing China's economic vitality.

#### **Eldest Son of Zou Taofen, Son-in-law of Ye Jianying**

Zou Jiahua is the eldest son of Zou Taofen [6760 7290 1164], literary luminary and social activist of the 1920's and 1930's. Zou Jiahua and his father are closely associated with Zhou Enlai and nonparty personages. Zou Taofen has a high reputation in Chinese intellectual and literary circles. He was a man of awesome righteousness, uncompromising in his pursuit of good, who was open and aboveboard in all things. These traits made him esteemed by many members of the Kuomintang government of the time.

Zou Jiahua's ancestral home is Shatang Zoujia Village in Yujiang County, Jiangxi. He was born in Shanghai in October 1926, and was originally named Zou Jiahua [6760 0857 7520]. He is the eldest son of Zou Taofen, and has one brother and one younger sister, both of whom are very accomplished. At the time he was born, his father had just accepted a position as chief editor of the weekly magazine SHENGHUO. SHENGHUO was a publication that advocated resistance against Japanese aggression to save the nation; it was a publication not to be taken lightly. Under painstaking management by Zou Taofen and others, sales rose to 145,000 copies in 1932, breaking a record for magazine circulation in the 1920's and 1930's.

In his youth Zou Jiahua accompanied his father as he rushed about through Shanghai, Chongqing, Hong Kong, and other places. In managing SHENGHUO, Zou Taofen was under all kinds of pressure from the Kuomintang government, and the weekly was finally shut down. Zou Taofen himself was forced into exile abroad for some time. Once the War of Resistance Against Japan began Zou Taofen enthusiastically threw himself into the anti-Japanese effort. When Hong Kong fell into Japanese hands he entered the Dong Jiang Guerrilla Area, and in July 1944 he died in Shanghai. As a youth, Zou Taofen accompanied his father and suffered many very difficult times. He experienced a great deal and met many talented people in all walks of life. He also underwent many trials, and as a consequence he is a visionary of extraordinary breadth.

On 24 July 1944, Zou Taofen died at the age of 49. In his will, he said, "My wife, Shen Cuizhen [3088 4733 4903] works for society; my eldest son, Jiahua, will specialize in mechanical engineering; my youngest son, Jiali [1367 7511], will study medicine; and my young daughter, Jiali [1367 7787], will pursue literature. I expect all of them to take advantage of opportunities for further study so that they can make a contribution to the great revolutionary cause.

#### **In 1944 He Joined the New 4th Army, and in 1945 He Joined the Communist Party**

In 1944 Zou Jiahua joined the New 4th Army in Huanan and studied at the New 4th Army Construction University.

In 1945 Zou Jiahua became a member of the Communist Party of China. He worked in the Northeast Liberated Area from 1946 to 1948 as secretary of the Harbin Area CPC Party Committee in Songjiang Province, [currently Jilin Province] and as deputy secretary—and then secretary—of the Chang'an Regional CPC Party Committee in Bin County, Songjiang Province. Afterward, of course, he achieved his ambition to study mechanical engineering.

In 1948, after Zou Jiahua underwent tutoring in Russian at Harbin Industrial Institute, he went abroad to study in the machine manufacturing department of Moscow's Baoman [0545 2581] Higher Industrial Institute.

Referring to Zou Taofen's will and his own aspirations to study, Zou Jiahua says, "When my father wrote his will and asked us all what we wanted to do, I said I wanted to study mechanics." Because Zou Taofen already had cancer at that time, he wanted one of his children to study medicine. Zou Jiahua says, "He wanted my brother, Jialiu, to go into medicine, and my sister, Jiali, to go into literature." The will was written that way, but later, because of changing circumstances, the younger brother went to Yanan, Shaanxi. He was still quite young at the time, and later he went into meteorology, which he has practiced for several decades now.

Zou Jiahua says, "I have been interested in machinery since I was very young, but was not at all clear about what I wanted to specialize in. It was not until I was in the CPC organization that I reflected upon my father's wishes, and this helped me to change departments. At the New 4th Army Construction University I studied finance and economics. This had something in common with the department of mechanics, and somewhat less in common with the department of civil administration, which did mass work, and the department of education. Later, I went into the construction department in the Shandong provincial government, where I worked on road repair and bridge construction and did various kinds of civil engineering. This work was closer still to mechanics. Finally, when I went to the Soviet Union to study, drawing upon my past experiences it seemed very natural that I should go into mechanics. However, the work I do now is all organizational and administrative, and my specialty is slowly slipping away."

#### **Zou Jiahua and Li Peng Went Together To Study in the Soviet Union**

Thinking back on his student days far off in the Soviet Union, Zou Jiahua says that in the latter part of the 1940's he went abroad to study in the company of Li Peng—who is now a member of the Standing Committee of the CPC Central Committee Politburo and Premier of the State Council—and other youths. At that time 21 people altogether went to study in the Soviet Union. As of the end of 1989, 20 of these individuals were still living, and only one, a woman named Luo [5012] (who was the daughter of the division commander of the CPC New 4th Army 2d Division) had passed away.

Looking back, Zou Jiahua says, "When the 21 of us were sent to study in the Soviet Union the Liaoxi-Shenyang Campaign had not yet begun." In 1948 the Soviet Union still had diplomatic relations with the Kuomintang and there was still a Kuomintang ambassador in Moscow. Although the CPC had negotiated to allow their children to go abroad to study, because the Soviet Union still maintained diplomatic relations with the Kuomintang, Zou Jiahua and the others were turned over to the supervision of the Soviet branch of the International Red Cross. The Soviet authorities sent the students out of Moscow—even outside of the Moscow urban district—and all publicity was avoided. As a consequence, living conditions were rather poor.

They began by studying a year of Russian. In October 1949 the CPC established its capital in Beijing and New China was founded on 1 October. The outcome was a foregone conclusion. Consequently, after classes began in September 1949 Zou Jiahua and the others were returned to Moscow. Zou studied machine manufacturing at Moscow's Baoman Higher Technological Institute. He graduated at the beginning of 1955 and returned to China, where he went to work at the No. 2 Machine Tool Plant in Shenyang, Liaoning. He began as a technician and later became assistant chief engineer, then chief engineer, and finally plant manager. After 1964 he transferred to the Machine Tool Research Institute of the First Engineering Department in Beijing.

#### **After Returning From Study in the Soviet Union, Zou Spent a Considerable Period of Time in the Machine Tool Business**

After the Great Proletarian Cultural Revolution began in 1966 Zou Jiahua stepped aside, and a hall commemorating his father was also closed for a time.

Zhou Enlai approved the Taofen Memorial Hall in Shanghai in the 1950's, and the hall was built in 1966 at 53 Wanyi Lane, Chongqing Road South, in Shanghai. Zou Jiahua has revealed that at the beginning of the Cultural Revolution, Zhang Chunqiao [1728 2504 2890], Wang Hongwen [3769 3163 2429], and Yao Wenyan [1202 2429 0337] unexpectedly singled out the Taofen Memorial Hall as a special object of criticism and closed it for a long time.

In 1971 Zou Jiahua entered the Luoshan County Cadre School in Henan. At that time the cadre school for the Communist Youth League's central authorities was in Xi County, Henan, and Zou Jiahua spent a year there learning to grow rice and reading books. In 1972 he returned to Beijing and transferred to the Machine Research Institute of the State Council's First Ministry of Machine-Building, where he became deputy director and simultaneously served as secretary of its CPC Committee. At the end of 1973 Zou transferred to the National Defense Industry Office under the State Council to work in the national defense industry, and from 1974 until 1982 he acted as vice chairman of that office and as deputy secretary of its leading party group.

Afterward, the National Defense Industry Office and the National Defense Science and Technology Commission were merged to form the National Defense Science, Technology, and Industry Commission (called NDSTIC for short), and Zou Jiahua became vice chairman of NDSTIC and deputy secretary of its CPC Committee. In 1985 Zou took up the post of Minister of Ordnance Industry and secretary of its leading party group. In 1987 China established the State Machine-Building Industry Commission and Zou Jiahua took the post of commission chairman and secretary of its leading party group. In 1988 China entered into economic restructuring and the State Machine Building Industry Commission was merged with the Ministry of Electronics Industry to become the Ministry of Machine Building and Electronics, and Zou Jiahua became its minister. On 26 December 1989 Zou won the important post of minister in charge of the State Planning Commission, and it is expected that he will quickly become a member of the Politburo.

#### **He Has an Excellent Educational Background and Deep Potential**

In September 1982, at the 12th National Party Congress, Zou Jiahua was elected as an alternate member of the CPC Central Committee Politburo.

At the 12th NPC Party Congress Conference of Delegates in the autumn of 1985, Zou Jiahua won election to membership in the CPC Central Committee.

At the National Party Congress in November 1987 Zou won continued membership in the CPC Central Committee.

Zou Jiahua, now 63, has an excellent educational background. He is the son-in-law of Ye Jianying [0673 0494 5391], the late state chairman, NPC [National People's Congress] Commission chairman, and military commander, and the husband of Ye Chumei [0673 2806 2734]. Zou Jiahua treats people generously and kindly and lives a simple and frugal life. After he rose to important posts he continued to live in the same residence in Henan Sha Gully, Neighborhood Three, in Beijing, and has not moved. Every morning he has always gone down to the street to wait in line to buy fresh milk. His neighbors are the noted Chinese writers Qian Zhongshu [6929 6945 2579] and Yang Jiang [2799 4829]. Zou has excellent relationships with other people: He has specialized knowledge and is also proficient in Russian and understands English. Right now he is a councillor on the State Council, as well as minister in charge of the State Planning Commission, and it is predicted that he will very soon become a member, or even a Standing Committee member, of the Politburo. Now, while the CPC is trying to overcome difficulties and open up new prospects, there are many tasks where we need someone like Zou Jiahua, who is capable and has a base among the masses, to take them on, coordinate relationships on all sides, adopt effective measures, and turn the situation around.

It looks as though Zou Jiahua's political role will become even more noteworthy in the 1990's.

#### **Shortcomings of Policy Law**

90ON0373A *Tianjin TIANJIN SHEHUI KEXUE [TIANJIN SOCIAL SCIENCE] in Chinese No 1, 23 Jan 90 pp 53-58*

[Article by Meng Qinguo (1322 0530 0948): "Some Issues Relating to Policy Law"]

[Text] To acquire a deeper understanding of a special legal phenomenon in China today—policy law—this article proposes to further explore a number of basic issues relating to it.

1. The concept of policy law first appeared in my work "On China's Current Dual-Track Legal System." I wrote, "A whole bunch of laws that are not referred to as laws but go by a variety of names are alive and well in China's legal system. A large number of policies, conventions, administrative orders and even the instructions of authoritative leaders are enforced by virtue of the coercive power of the state and become de facto laws. (A majority of them are policies, hereafter referred to as policy laws.) DANGDAI FAXUE YANJIU [MODERN LEGAL STUDIES] 1988, No. 2) This pronouncement can be read at three basic levels. First, policy law differs from law in the traditional sense. In traditional legal theory, policy does not include the coercive power of the state. Its formulation and implementation do not and should not depend directly on the coercive power of the state. Policy law, on the other hand, can coercively regulate social life and citizens' conduct and includes specific rights, obligations, and responsibilities. Convention as law is not convention. There is an essential difference between policy law and policy. Second, policy law is different from law as we normally understand it. The latter refers to written law formulated and approved by the legislative body of the state, that is, law made on the basis of the legislative power of the state. Policy law does not derive from the lawmaking power of the state, but is a product of the activities and functions of party and government organs, the outcome of the mandatory enforcement of policies by the state. Third, policy is not the only form that policy law can take. Upon closer analysis, we see that administrative regulations, conventions, notices, instructions, editorials, and speeches can all have specific legal effectiveness because of the power inclination of party and government organs. Generally speaking, the above-mentioned forms are usually referred to broadly as policy. In this sense, policy law usually assumes the form of policy.

The presence of policy law is an unavoidable social phenomenon, in other words, numerous de facto laws exist in China today. Chinese law consists of all manner of policy laws as well as laws. It is indisputable that in theory and as a matter of law, there is only one kind of law in China, that is, the law made by the legislative body of the state. But even more important is reality. The land contract system, which came about during rural

reform and has had a profound impact, is based on none other than the three No. 1 circulars from the State Council. Even now land contracting is still regulated by provisions in these circulars, which remain the specific standards followed by the people's courts in handling land contract disputes. The vitalization of enterprises owned by the whole people has spawned various operational forms, including contracting, leasing, and the shareholding system. But whatever the form used, rights, obligations, and liabilities are all defined with reference to the red-letter documents. As for matters relating to qualified personnel, labor, wages, housing, and family planning, all parts of daily life, none of them can do without policy documents. Despite the considerable progress we have made in lawmaking in the past decade, the laws we have made still fall far short of the laws the state needs. Policy laws will continue to play a vital role in running the state machinery and in maintaining the normal functioning of all kinds of mechanisms in society.

In our drive to study and create a legal system with Chinese socialist characteristics, if we dare not or are not willing to take policy laws seriously, the legal phenomenon that best epitomizes the nation's political, economic, and social conditions, then we will be indulging in idle theorizing. Why are so many legal theories so far removed from real life? Why are so many laws not really enforced to the full? Why are lax legal enforcement and law evasion so pervasive in society? One principal reason is that the theory and practice of our legal construction have avoided many issues related to policy laws. Policy laws and the law are two legal systems that interact with and influence each other. Leave aside policy laws, and you would be hard pressed to understand and explain many phenomena, to analyze and solve many issues. Some comrades worry that the mere mention of policy law would mean accepting putting power before law and replacing the law with a leader's word, which would give rise to a law above the law. The fact of the matter is that the reality of policy law cannot be readily changed. Whether you admit it or not, both its existence and development follow their own special objective laws.

There is another notion in the legal community, namely that a law is not a law unless it has gone through the legislative process of the state. As a result, many policies are still not considered laws but are seen as mere policies that substitute for laws even though they have been operating as laws. This raises a question of jurisprudence. What is law? In a nation, why are some rules regulating conduct regarded as laws, while other rules are known as conventions, morals, and others? Needless to say, what comes out of the legislative process can only be law, but are we to conclude from this that all laws must go through the legislative process of the state? Both history and reality prove otherwise. Case law in the British and U.S. legal systems, ecclesiastical law in the legal systems in Continental nations in the Middle Ages, the wise words of the sage in China's legal system... In all these cases, there has never been a so-called legislative

process, yet that does not take away their authority as law. If we look back at their origins, we see that their implementation was effected through the coercive power of the state, which gave them a coercive restraining power, that is, legal restraining power. Members of society cannot violate them in any way for whatever reason, otherwise they will be punished by the forces of the state. Morals, conventions, and other rules of a nonlegal nature, on the other hand, are not so endowed; when people observe morals and conventions, they do so on their own by exercising self-discipline. The state making or adopting a law is not the same thing as the legislative process of the state. A nation may do without its legislative body and legislative process, but it cannot do without law. The absence of a penal code in a nation does not mean that there is no crime in that nation or that it tolerates crime. As long as the state adopts a stern attitude toward and takes coercive measures regularly against a certain type of conduct, there would develop in the public consciousness legal norms regarding that kind of conduct even if there is no written law on it. Thus, the law is behavioral norms enforced by the coercive power of the state. As for the origins of law, the form of law, and the democratic and scientific nature of law, these all go beyond the scope of what is law.

It is not difficult to differentiate between policy and policy law. If you violate a policy law, you may be subject to administrative disciplinary measures such as demotion and dismissal, or you may be open to civil liabilities such as making an apology and paying damages. Or you may even be imprisoned. The policy law implies the legal consequences of using the coercive power of the state. Policy, on the other hand, is only a policy. If you violate it, you may be required to undergo self-criticism and be subject to disciplinary measures within the party at worst, but there will be no direct legal consequences. It needs to be pointed out, however, that in China the boundary between policy and nonpolicy is blurred because the party-government relationship has not been straightened out. For instance, are internal circulars, telephone instructions, and important speeches, to name a few, policies? Whether you answer yes or no, you will certainly be confronted with real-life examples that point in the opposite direction and are hard to explain. Correspondingly, policy law is also a somewhat fuzzy concept. Some scholars have proposed renaming policy law as forgotten administrative law, which seems to me to be less precise than the term it seeks to replace. This is because administrative law does not include the wide range of policy activities of party organs at all levels involved in policy laws. Provided the distinction between policy and policy law is clear, the latter no doubt most aptly sums up the phenomenon of party and government organs making laws up to a point.

The CPC is a political party with no special interests of its own. The Chinese Government is the people's government. So it follows that, basically speaking, a policy law that comes from party and government organs represents in concentrated form the wishes of the party

and the people. Such wishes are consistent with the wishes that Chinese law should embody. As a matter of fact, the party and the government have always worked hard to make and implement policy laws from the perspective of the people's interests. Because of historical inertia and to meet practical needs, the party and the government sometimes have no alternative but to resort to policy laws. As the representative of the interests of the party and the people, the party and government have never argued that policy activities can replace or are above the law. Thus, in the ultimate sense, policy laws should represent in a concentrated form the wishes of the party and the people.

However, this does not mean that the policy laws of party and government organs fully and directly embody the wishes of the party and the people. Nor does it mean that every single policy law is ultimately consistent with the wishes of the party and the people. This is why: A policy law must be formulated and implemented by a specific party or government body. Three factors are at work, regardless of the body in question and at what level it is. 1) The work, duties, and interests of the body in question. The more specialized its duties and the stronger its interests, the more likely its policy law is to be departmental. 2) The caliber and capabilities of the policy-making personnel. Selfishness, short-sightedness, and an absence of professional expertise will seriously affect the content of policy law. 3) The authenticity and comprehensiveness of policy-making data. Social surveys that merely scratch the surface, data and statistics that are incomplete and skewed, and typical cases that have been wildly and irresponsibly exaggerated will do nothing to make a policy practical and feasible. In short, a policy law, whether formulated by the central government or by a local authority, represents merely the assessment of the situation and mission and the pursuit of goals by the personnel involved in the policy-making process. What it directly embodies is only the collective wishes of a party or government policy-making body. Such collective wishes have been proven by history to be correct in the vast majority of cases. But it is also true that some do not conform to and even contradict the wishes of the party and the people. Examples include the "Cultural Revolution Decision," the decision to crash the price barrier in 1988, the arbitrary decision by some party and government bodies at the local level to cut state taxes frequently, the stampede to invest in popular projects, and the willful establishment of market barriers, so on and so forth.

A policy law directly embodies the collective wishes of party and government policy-making bodies. Whether a policy law is consistent with and represents the wishes of the party and the people cannot be judged by its practical effects; by the time practice proves a policy has violated the wishes of the party and people, it may already have caused huge economic and social losses. The use of state power should not be an experiment; the price would be too high. Therefore, a policy law should convert the collective wishes of party and government policy-making

bodies into the wishes of the party and the people before it is implemented. The wishes of the party and the people, in the final analysis, are the basic interests and aspirations of the masses. Generally speaking, the basic interests and desires of the masses are hard to determine and quantify. The commonly used criterion in modern society today is public opinion, that is, the degree of public comprehension and the extent of public acceptance. Public opinion is reflected through many social channels, but the channel that is most authoritative, most efficient, and most likely to reflect public aspirations comprehensively should be people's congresses at all levels as well as their standing committees. This is determined by the nature of socialist society and is explicitly stated in the Constitution of the PRC. If a policy law is accepted and passed by a people's congress, in effect it directly embodies the wishes of the party and the people. Even if it proves incorrect in the future, its nature would not change; most people make mistakes, something human society cannot change.

In accordance with the formula above, there should be two basic approaches to convert the wishes of party and government policy-making bodies into the wishes of the party and the people. The first is to make policy fall in line with constitutional and legal provisions so that it will not conflict with the latter. This requires society to be equipped with a social mechanism for reviewing policy laws in order to prevent them from violating the Constitution and the law and to preclude the implementation of policy laws that are illegal. Right now, however, no such social mechanism exists in China. Although many policy laws comply formally with the Constitution and the law, often bearing this statement, "formulated in accordance with the law," it is difficult to determine their actual content. Even when a policy law violates the Constitution and the law, it is put into effect all the same. The second approach is to go through the regular legislative process of the state. A policy must be considered, amended, and adopted by the legislative body of the state before it becomes law. Alternatively, an existing law can be amended in a particular policy spirit. If we adopt the second approach, there would naturally be no such thing as a policy law. As far as the policy laws we have today are concerned, they cannot be converted in accordance with the first approach and sidestep the legislative process of the state, far removed from the people's congresses at all levels and their standing committees. It is well nigh impossible to prove that they necessarily conform to the wishes of the party and the people. All we know is that they embody the collective wishes of party and government policy-making bodies. We can say this is the fundamental difference between policy law and law and is a basic characteristic of China's dual legal system. We can go further and look at policy in three aspects.

First, policy laws lack socialist democratic and scientific spirit. In formulating a policy law, the party and government policy-making bodies are influenced by habits formed over the years and constrained by functional

operational needs. Policy-making usually takes place in secrecy within a narrow circle consisting of a handful of people, namely the decisionmakers, secretaries, and special committees. Comparatively speaking, the central government is more democratic. Often, draft proposals are circulated among democratic parties and well-known figures for their comments. In contrast, the soliciting of opinions is very rare at the local level and in departments. By and large, the rank-and-file party members and cadres as well as the man on the street have few opportunities to understand a policy law before it is put into effect. All they have is the obligation to understand it in depth after implementation. The narrow scope of democratic policy-making and the secretive nature of the policy-making process preclude many opportunities to correct a mistaken policy law before it is put into effect. This is unrealistic and unscientific. If we analyze the strengths and weaknesses of policy laws carefully, we can discover a law, namely that whether a policy law is good or bad is causally related to the authority and wisdom of the policy-makers and other personal factors. A policy law reflects the fact that the destiny of the nation and society hinges on the thought and deeds of a handful of people. This characteristic is deeply imbued with the spirit of the rule of man.

Second, policy laws lack logic and order. A unified lawmaking power ensures that the law embodies the wishes of the ruling class. It does not ensure the embodiment of the wishes of individuals in the ruling class. There have never been any rules on lawmaking power in policy laws. This is because even party and government organs that formulate policy laws would not admit they are making law. In real life, however, as long as an organ has the power to make policy, it has the power to make policy laws. In effect, party and government organs at all levels in all localities have the power to make policy laws. Since party and government bodies at all levels in all localities differ greatly in functions and power and are highly independent, the policy laws they make inevitably reflect their different wishes. On any single issue, different localities, sectors, and departments may have different and even totally opposite regulations, their effectiveness dependent not on their legality, rationality, or levels of authority, but on the particular political and geographical conditions of the locality, sector, or department in question. Hence, the constant conflicts, rejections, and compromises in policy laws. Apart from the fact that they are all made by party and government organs, there is almost no stable permanent common ground in the system of policy laws. This is a legal system with no order or harmony.

Finally, policy laws cannot remain stable for an extended period of time. Originally, policy laws were made to resolve many issues in real life that were badly in need of a solution. Party and government organs have no alternative but to decide the content of policy laws from the perspective of immediate needs and short-term interests. Accordingly, policy laws place greater stress on tangible results and exhibit a strong utilitarian tendency. They

are more concerned with responses and measures to deal with a situation and less interested in providing universally applicable rules of abstract significance. Because the regulations in policy laws are often overly specific and detailed, they must be amended and abolished as soon as the practical results are unsatisfactory or the objective situation has changed. Studies show that extremely few economic policies remained unchanged for more than five years. It is true that in the reform period, frequent policy changes are no cause for alarm, but such changes must be orderly and focused, not whimsical. Otherwise they are bound to lead to conflicts in social interests. China's individual householders and owners of privately run enterprises have no desire for expanded reproduction. The reason? Most often a fear of policy changes. Since members of society and social strata cannot predict policy changes, they think or behave in a short-term way. The peasant who does not use fertilizers on contract land, the factory that issues bonuses indiscriminately in cash or in kind, the man on the street who is interested only in immediate consumption, and the leader who pursues results only in his term of office—all are serious social problems in China today, and they are related to frequent policy changes. Policy laws remain a makeshift tool in running the nation.

3 [as published]. A policy law is converted from policy. The conversion begins and ends with the policy implementation process. Party and government organs do not see themselves as making policy laws, only policies. In the course of policy-making, they are not obliged to or need to and often are not equipped to consider contents and format of policy from the perspective of the requirements of legal regulations. This determines that once policy is converted into policy law, it becomes legally binding and all members of society must observe it without exception. At the same time, however, policy laws cannot regulate public behavior closely because they are not regulatory enough. A policy law, like the law, defines, limits, or protects particular social relationships and social interests. At the same time, it is open to exploitation because it has too many loopholes, to the detriment of national and social interests and the legitimate interests of individuals. In real life, that many policy laws have unanticipated negative consequences is directly related to the fact that they are not regulatory enough. Specifically, their weaknesses manifest themselves as follows:

a. Policy laws do not put precise limits on permissible behavior the way legal regulations do. The direct purpose of legal regulations is to regulate public conduct. Legal regulations, therefore, must draw the boundary between what should and should not, between what is permissible and what is not permissible, explicitly and unequivocally. Generally speaking, written law created by the legislative process of the state is more regulatory because the legal terminology, method of expression, and structure resulting from thousands of years of legal history have achieved a measure of consensus and have more precise contents. The idea of ownership, for instance,



does not differ significantly between Roman law, the French civil code, the Soviet civil code, and Chinese general civil code. As long as a law is concerned with the regulation of ownership system, it must be based on it, because the latter is the historical legacy of legal culture. In the case of a policy law, on the other hand, all this does not apply. In formulating a policy law, party and government organs have never had a fairly unified stable terminology, system, or structure. On the contrary, constrained by immediate practical needs, they have to make flexible regulations.

In a policy law, any one formulation or expression may mean different and even exactly opposite things at different times on different occasions. The same meaning can also be expressed in different ways. To leave themselves some maneuvering room, party organs deliberately choose to be ambiguous in both wording and content, using expressions like "in principle," "unless necessary," "will be handled strictly," "should pay close attention to," and "will generally be prohibited." As for the meanings of such expressions, people are to figure out for themselves. In addition, policy laws often sidestep certain critical issues, leaving some departments with the job of "explaining in detail," "determining in detail," and "operating in accordance with the relevant law or document." Actually, it is very likely that there will be no detailed explanation or consultation. Nor will the relevant law or document ever be found.

Policy laws do not draw a clear and firm line between what is legal and what is not legal. Often it is reduced to something that can be either minor or significant, strict or lax, open to varying interpretations. The speculator on Market A may be revered as a reformer on Market B. What was bribetaking yesterday may be restored as legal earnings from labor tomorrow. Change the column slightly and you can turn expenditures that violate financial and economic discipline into a proper expenditure. All this is part of the famous "four dishes and one soup" phenomenon. Because a policy law is ambiguous itself, with people interpreting and enforcing it based on their own tastes, the result is a social climate in which one policy can elicit several countermeasures. Consequently, the timid starve to death while the bold are propped up. What a policy law does is to restrain the honest who abide by the law, but it is powerless to do anything with those who dare to and are good at coming up with countermeasures. In fact, it may even be exploited by these people to lend legitimacy to their activities. Examples in real life are too numerous to mention.

b. Policy laws lack the predetermined legal consequences that the law should have. That the law can regulate human behavior is due in no small measure to its established legal consequences. Before they make a move, people know the consequences of obeying or violating a law and choose their course of action accordingly after weighing the pros and cons. To a large extent, the authority of the law also derives from such known legal consequences. Written law created by the legislative

process of the state invariably comes equipped with specific legal consequences in order to punish the violator. When they draw up a policy law, on the other hand, party and government organs are mainly concerned with principles and methods to solve specific problems and seldom think of the consequences of violation. For this reason, a policy law often lacks appropriate legal consequences.

We come across one strict prohibition after another in policy laws, but we are hard pressed to find the legal consequences of violating such strict prohibitions. "Strict prohibition" are tough words of course, but toughness does not equal authority. Some policies include the consequences of violation, but in most cases involve mere party discipline, government discipline, or similar responsibility, so-called hollow "economic responsibility." There are cases in which the violations are very serious and insidious, for example, misappropriating relief supplies, crimes punishable by a long prison term and even death under feudal law. Policy laws, however, provide for no specific punishments. Some policy laws do not set any limits beforehand and hold people accountable only after the fact. Only when serious problems arise are specific regulations handed down to hold the perpetrators accountable.

A policy law is a soft law that lacks authority. Since violations of a prohibition do not necessarily lead to proportionate legal liability, policy laws not only are ineffective in preventing violations, but sometimes actually encourage people to misbehave. In other words, conduct that violates the prohibitions benefits the perpetrator rather than hurting him. In 1986, for instance, a strict prohibition against party and government organs setting up companies was handed down, only to be followed by an even more severe bout of "business fever" in 1988. The reason is that not only were many people who went into business in violation of the ban not held liable, but, on the contrary, made a fortune. Reports in the press about "dealing strictly with violators" may even have encouraged a number of people to break the law who would otherwise have been too timid to do so. In return for a short period of self-criticism, some people could look forward to an easy time for the rest of their lives. Even after they are given a warning or disciplinary action within the party, they remain party members, still more advanced than the masses. A bad example would offset 10 dozen cases of positive education. In a general sense, it is basic social psychology to pursue what is beneficial and avoid what is undesirable. This is precisely what a policy law fails to do: Define for the public where desirability ends and where undesirability begins, so it is ineffective as an controller and regulator of public behavior.

c. Policy laws do not contain well-established procedures for tracing responsibility as legal regulations should. If you break the law, you will be punished. This is essential to safeguarding the dignity of the law. Whenever and wherever you break the law, you will be punished under the law. This is a manifestation of the omnipresence of



the law. But if we are to hold the violator accountable, we need a set of well-established, predetermined procedures, otherwise it would be impossible to routinize and institutionalize the work of pinpointing responsibility. Thus, criminal law is accompanied by criminal procedural law, and civil law by civil procedural law. Then there is administrative procedural law. In contrast, policy laws basically consist of substantive regulation. Procedural rules like those on ways to deal with violations of the financial and economic system promulgated not long ago are few and far between. This is because the policy activities of party and government organs themselves still lack a set of specified procedural regulations. Under general circumstances, the pinpointing of responsibility for a crime under a policy law is not part of the agenda of party and government organs. Individual cases of violation usually do not receive much attention. Only when such cases proliferate enough to cause serious consequences do party and government organs begin to tackle them. How? Usually by putting together a group of people to mount an intensive investigation; that comes down hard on the offenders but only for a short period of time. Since such an investigation covers a wide area and involves loads of work, the investigators lack investigating experience and knowledge. When they come across cases that do not seem to be serious or took place some time ago, or whose perpetrators take the initiative to criticize themselves, the investigators have no choice but to handle them in accordance with principles like these: "Not to be taken as a precedent," "what happened in the past will be dealt with leniently," "if you self-criticize, you will not be investigated." Apart from a number of major and important cases, the investigation of other violations is usually given the cold treatment. When the crackdown blows over, either nothing is done or the perpetrator is let off lightly. Needless to say, many cases simply fall through the cracks of an intensive investigation.

Often, repeated orders are necessary to make a policy law take root in the minds of the people. Moreover, only in a crackdown are the dignity and deterrent effects of legal regulation realized. Tourist guides have long been forbidden from demanding tips and commissions from foreign visitors, but the ban was really strictly enforced only when tips and commissions aroused widespread indignation among foreign and domestic tourists alike. As long as they survive the general financial and economic inspection, which begins in October each year, people who violate financial and economic discipline can enjoy their ill-gotten gains to the full. People who break the law are not necessarily investigated, those who are investigated are not necessarily punished, and those who are punished do not necessarily get what they deserve. This being the article of faith among members of the public, one does not have to be afraid of any policy as law.

As explained above, because of its shortcomings in content and form, policy laws do not achieve their purpose and goals. As a result, orders are not enforced,

prohibitions do not work, and discipline becomes lax. This is a social reality. Between 1982 and 1988, the central government and other pertinent departments at the center issued a total of 24 documents strictly prohibiting party and government cadres from going into business, all blithely ignored by official merchants and speculators. Each year the central government issues an emergency circular demanding that institutional purchasing be reduced by 20 percent compared to the year before, only to have such purchasing go up 20 percent. It can thus be seen that even as it ascribes to itself a legal regulatory nature and functions, a policy law severely undermines its own legal value because of its lack of institutionalization.

### Administrative Reform Seen Part of Overall Reform

90ON0408A Nanjing NANJING DAXUE XUEBAO: ZHIXUE SHEHUI KEXUE BAN [JOURNAL OF NANJING UNIVERSITY: PHILOSOPHY AND SOCIAL SCIENCES EDITION] in Chinese  
No 1, 5 Feb 90 pp 1-7

[Article by Zhang Yongtao (1728 3057 2717) and Bao Yu'e (0545 3768 1230): "Administrative Structural Reform in a Broad Context"]

[Text] *Government and administrative structural reform is also part of the self-improvement and self-development of the socialist system and should follow the socialist direction, the principle of proceeding from realities in everything, and the principle of promoting national and social stability. "Small government, big society" is a natural historical process. However, we cannot isolate ourselves from reality at the present stage and blindly practice so-called "small government, big society." In the foreseeable future, our goal cannot be a "small government" system. When it comes to the delegation of power, we must take into account the characteristics of China's political and administrative system and the structure of the state and consider it in the context of economic structural reform, political reform, and administrative reform as a whole. Pay attention to coordination and harmony. The delegation of power is not a one-way street; it is a two-way process of delegating power to the bottom and exercising control from the top.*

The writers are lecturers in the Department of Political Science at this university.

The government and administrative system of China is in a period of profound change. This change raises a host of complex theoretical and practical issues that we must examine urgently, extensively, and thoroughly. We can do so by zeroing in on any one specific issue on the micro level. But even more important we should ponder and analyze some overarching fundamental themes at the macro level from the perspective of the development strategy, thus determining scientifically the basic direction and overall plan for administrative reform. Here we would like to put forward a number of ideas on the guiding principle behind reform, the idea of "small

society, big government," and the delegation of power in hopes that we would be enlightened.

### 1. Guiding Principles for Administrative Structural Reform

Any piece of reform under the socialist system must have its basic guiding principles. As an important part of political structural reform, administrative structural reform, like economic structural reform, is the self-improvement and self-development of the socialist system. This requires that administrative structural reform abide by these most crucial principles.

First, the principle of adhering to the socialist direction. Comrade Deng Xiaoping has stressed many a time that China's reform is socialist reform and must follow the socialist direction closely. He said, "Adhering to the socialist direction in reform is a paramount issue. We must achieve the modernization of industry, agriculture, defense, and science and technology, but the four modernizations are preceded by the word 'socialist.' These days we talk about invigorating the domestic economy and opening to the outside world. They must proceed under socialism."<sup>1</sup> Deng Xiaoping also said, "What is the goal of our economic reform? The overall goal is to consolidate the socialist system, consolidate party leadership, and develop productive forces under the leadership of the party and under the socialist system."<sup>2</sup> Like other reforms, administrative structural reform must follow the socialist direction closely. The administrative system or government system is part of the superstructure, an integral part of the political system of the state. It includes the setup of government organs, the division of functions and powers, methods of management, and the principles of operation of the "machinery of government." Since administration is always state administration and class administration, it invariably operates to achieve the social objectives of the state and the interests of the ruling class. The administrative system and administrative reform, therefore, reflect more than the managerial characteristics of the general laws of administrative activities; they also reflect the political and class attributes unique to the administrative activities of a particular state system. China's administrative system is a socialist administrative system. As an essential part of the socialist political system, it embodies the socialist nature of that political system and at the same time helps consolidate it.

As far as the economic system is concerned, to uphold socialism means to uphold two things: a variety of economic formats, all dominated by public ownership, and multiple methods of distribution, with distribution according to work being the most important. As far as the political system is concerned, upholding socialism also means upholding two things: the masses as the masters and CPC leadership. The very nature of socialism demands that the masses be the masters. As for the leadership of the CPC, it is a basic guarantee of the socialist cause. The two must be the essential characteristics of the socialist administrative system and be fully

embodied in the objectives, processes, and results of administrative structural reform. China's socialist administrative system and its reform must facilitate popular participation in running the state, help the people enjoy their right to manage state and social affairs, and contribute to strengthening and improving the party's leadership over state administration and management and ensuring the full implementation of the party's line, principles, and policies across the board in the areas of administration and management. It should be stressed that reforming China's existing administrative system, separating party functions and government functions, delegating power, and so on, absolutely does not "weaken," much less shake off, party leadership. In modern China, other than the leadership of the CPC, there is no one stable and authoritative political force and political center capable of representing the fundamental interests of the people. Without the leadership of the CPC, administrative reform as well as other reforms would simply be unable to go on at all. In fact, without the leadership of the CPC, nationwide unrest would be bound to follow and the entire socialist cause would be ruined.

Second, abide by the principle of "seeking truth from facts" and taking realities as the starting point in everything. The ideological line of seeking truth from facts provides administrative structural reform with a correct Marxist ideological and theoretical base. To implement this ideological line in the area of administrative structural reform means proceeding from the actual conditions in China at the present stage, concentrating on creating a social administrative and management system consistent with China's national characteristics, and serving China's socialist modernization. Specifically, we must seek truth from facts in three ways. 1) Honestly analyze the nation's existing government and administrative system. The serious shortcomings of the current system, which are becoming clearer and clearer by the day, must be comprehensively and scientifically analyzed. The necessity for and importance of reform must be fully appreciated. Proposals must be targeted to resolve real problems in a realistic manner. At the same time, after four decades of development, our existing government system has proved to be superior in some aspects and certainly is not totally worthless as some people would have us believe. Reform means eliminating shortcomings, but it also means keeping and furthering what is unique and good about a system. The intensification of reform is not to be interpreted as total rejection. Thorough reform does not mean discarding everything, but affirming what should be affirmed, rejecting what should be rejected, furthering the good, and getting rid of the bad. 2) Realistically analyze China's conditions and really take the nation's political, economic, and cultural realities at the present stage as the starting point as we consider and work out the goals, content, methods, and procedures of reform. It should be made clear that China is still quite backward socially, economically, and culturally at present, with an underdeveloped commodity economy and an administrative

system that is not scientific, not modern, and not statutory. For this reason, the creation of a modern socialist administrative and management system will necessarily be a long, gradual, and incremental process. We should ultimately set our sights on creating a modern socialist administrative and management system and steadily advance in that direction. In the short haul, however, our objectives must be limited ones, that is, objectives that are achievable given the nation's circumstances at the present stage. 3) Pragmatically understand the administrative systems of developed nations in the West. After evolving for one to two centuries, the administrative systems of the West have achieved a considerable degree of comprehensiveness in terms of institutionalization and lawmaking. It certainly has many sensible things that we should emulate and make use of. Clearly, it is not right to close our door to them and refuse to learn from them. But the administrative systems of the West, after all, constitute the superstructure resting on a capitalist economic base, a component of the bourgeois political system. In the final analysis, they serve the interests of the bourgeoisie. Fundamentally speaking, therefore, some of the basic ideological theories and organizational principles (for example, separation of the three branches of government) are not suited for socialist nations and cannot be introduced into China's political-administrative system.

Third, abide by the principle of political stability and social order. The preservation and maintenance of political stability and social order are prerequisites for all reform and an important guarantee that reform will proceed smoothly. Administrative structural reform must proceed in an orderly manner in a stable environment and, since it involves adjustments in the power and interest relationships, some obstruction and unstable elements inevitably will appear. This is one of the biggest problems in reform. Unstable elements that appear in the course of reform may come from sabotage by socialist hostile forces, but in a majority of cases they are caused by conflicting interests among the people themselves. To deal with the former, we must take firm dictatorial measures. As for the latter, we need to solve them with democratic methods. The work of overcoming and resolving unstable elements must be done regularly in earnest, as part and parcel of the entire reform process from beginning to end. Do not wait until problems have piled up and conflicts have intensified before taking action to solve them.

## 2. About "Big Society, Small Government"

Some scholars hold up the model of "big society, small government" as the basic goal for which government and administrative reform in China should strive. Some cadres even assert categorically that current reform has already taken China very close to the vision of "big society, small government" described by Marx and Engels. They suggest that government functions be further reduced drastically to speed up the achievement of "small government." Since this issue has a direct bearing

on the overall strategic thinking behind short-term government and administrative reform in China, we need to discuss and clarify it.

Marx's and Engels' thesis of "big society, small government" is an organic component of their teaching on the state. According to their thesis, the state is a product and expression of the irreconcilability of class conflict. It is a force that grew out of society but is also above society. Moreover, it is increasingly removed from society. All regimes in the past, including those in bourgeois nations, are the machine with which one class oppresses the other. In the modern capitalist nation with a parliamentary system, the state is an instrument through which capital exploits hired labor, a social force organized to carry out social enslavement. To liberate itself, the proletariat must destroy the state power "way above society" through revolution, turning it from "a force that rules and oppresses society into part of the vitality of society itself."<sup>3</sup> How is this change to be brought about? Drawing upon the historical experience of the Paris Commune, Marx and Engels put forward the idea of returning power to society. The proletarian government should "return to the social organism all forces devoured thus far by the government, the useless parasitic thing dependent upon society even as it hinders its free development."<sup>4</sup> "The purely oppressive functions of the old regime should be abolished, while its proper functions should be seized from those powers that vainly seek to place themselves above society and returned to public servants accountable to society."<sup>5</sup> A "low-cost government" should be set up. As "producers' self-management organs become commonplace and local self-government is in place," the central government exercises only a "few, but essential functions," that is, "functions that must be carried out by virtue of the general shared needs of the state."<sup>6,7</sup> These functions "are not to be carried out by organs above society, but by servants accountable to society itself."<sup>8</sup> Ultimately, when human society reaches the most advanced stage of communism, the state and government would wither away.

The crux and most important conclusion of Marxist theory on the state is the notion that the state machinery of the bourgeoisie must be destroyed and that a political form must be found to replace the state machinery that has been smashed, namely, dictatorship by the proletariat. Marx and Engels did not set out to create a utopia at all or to speculate groundlessly about unpredictable things. They did not fabricate a fantasy about the future new society. Nor did they describe "big society, small government" in detail. What they did was to "study the process of the birth of new society from old society, the transition from one to the other, as a natural historical process."<sup>9</sup> They argued that the process from the seizure of state power by the proletariat to the achievement of "full communism" is a long-term process of returning state power to society. In this process, government functions would diminish gradually while social functions would increase steadily until the state and government become completely redundant. This thesis reveals

the general laws of state and social development and sheds light on the usual trends and characteristics of the changes in the state-society relationship under socialism. Clearly it is enormously inspiring to and instructive for us as we grapple with economic structural reform and political-administrative reform in depth today.

However, even as we try to understand the thesis of "big society, small government" and contemplate the direction of government structural reform in China, we must consider the objective base and historical conditions for this idea. "Big society, small government" requires the following social, economic, and political conditions. 1) The government of the proletariat comes to own all means of production in the name of society. Every single member of society enjoys a completely equal share of the means of production. 2) The commodity economy has disappeared, having been replaced by a product economy without currency. 3) All social production is socialized mass production, noncommodity, and precisely planned. The labor time of every worker directly constitutes a part of gross social labor time. 4) Equal pay for equal work is the norm throughout society uniformly and directly. The driving force of society and the economy comes entirely from the worker's pursuit of his own interests. 5) Large numbers of associations of free individuals have come into existence. Social autonomous institutions have gained strength and, with social self-management capability increasing all around, have been able to assume some of the more important functions formerly discharged by the government. 6) All class differences and antagonism have been eliminated. The oppressive function of the state has disappeared. Shorn of its political attribute, the state makes its presence felt in a major way only in safeguarding distribution according to work and managing social affairs. In this situation, the power and functions of the government sharply diminish naturally (not artificially), a large chunk of its power being shifted to society naturally. Society, meanwhile, is assuming the most important functions of managing itself. This stage—"small government, big society"—is an essential historical stage that we must go through before the state withers away.

"Small government, big society" is also a natural historical process. The government shrinks gradually while society expands gradually. But the "small government, big society" envisioned by Marx can only come about in the advanced stage of socialism. "Big society, small government" is one of the basic directions in the development of socialism. All socialist nations will move forward toward this goal. The question is whether China today is equipped to achieve "big society, small government" right away, whether it is ready to practice "small government" directly. In our opinion, we cannot introduce so-called "small government" blindly, in isolation from the actual conditions in China at the present stage. Class differences have not yet disappeared from China today and class struggle still exists up to a point. The government's political functions cannot yet be abolished. For a long time to come the economy will continue

to feature a variety of coexisting forms dominated by public ownership, the commodity economy will go through a long period of full development, and social production activities will take the form of the commodity economy. The outright achievement of distribution according to work on a society-wide basis remains a very remote prospect. Social self-governing institutions remain too fragile to take up more government functions. Under these objective conditions, the Chinese Government has no alternative but to continue to shoulder numerous political, economic, cultural, and social functions. At a time when the government still has to control many things that must be controlled, we will find ourselves falling between two stools if we artificially "weaken" government functions and thoughtlessly shift some of them onto society even though the latter is unable to handle them. The inevitable upshot will be chaos in social life.

Government necessarily remains quite "big" and "hard" in China at the present stage. By and large, the political functions of government should be gradually whittled down, but under no conditions can they be abolished completely. In fact, some political functions should be strengthened. Do not interpret political functions simply as dictatorial functions; democratic functions, too, are a kind of political function. Instead of being weakened, they should be strengthened effectively. As for the economic functions of government, the issue right now is not whether we should weaken them, but how to strengthen and improve them significantly. In China, the state-owned economy occupies a dominant position. For a long time to come our economy will be an economy of scarcity constrained by resource shortages. Also, it will be impossible to put an end to the imbalances in the economic structure (industrial structure, regional structure) overnight. Even a longer period of time is needed to nurture and mature a comprehensive market system. All these factors determine that the economic functions of the Chinese Government be more complex and extensive than those of its counterparts in developed nations. To shift functions is not the same as to weaken them. Deregulation and invigoration do not amount to *laissez faire*. In the process of shifting functions, the microeconomic management and direct management functions of government must be gradually reduced, while its macroeconomic regulation and control must be greatly broadened. Horizontally, macroeconomic management by the Chinese Government embraces the entire socioeconomic life. Vertically, it aims to steer all socioeconomic activities onto the orbit of planned development, using a mix of economic, administrative, legal, ideological, and political methods. In this sense, the Chinese Government is more characteristic of the "big government" and "hard government" model. Right now we cannot even begin to talk about paring down the social functions of government. There is a whole range of social affairs that the government should organize and manage, but it has not done so effectively. At the same time as the government carries out some functions in place of the enterprise, the latter too has discharged numerous social

management functions instead of the government, that is, "enterprises manage social affairs." Many enterprises and institutions of a large size have become micro-societies. Result: Government resembles the enterprise, while the enterprise resembles the government. The separation of government administration from enterprise management should be a two-way street. In other words, not only should the government department return power to the enterprise or institution, but the latter should also hand over to the government department many social management and social service functions. At present, all kinds of social organizations in China remain underdeveloped, unable to assume the engineering of self-organization on a social basis, so a large number of social functions must still be assumed by the government. There is reason to believe that for a long time to come the social functions of government, like its economic functions, are poised to be strengthened.

The process of bringing about a "small government" is simply the socialization of government functions. As a general trend in the development of the state and society, the socialization of government functions restricts the historical progress of socialism with a certain compulsory force. In the course of socialist development, we must understand and make use of this law correctly, adjust government functions promptly, nurture a variety of social organizations, enhance society's self-management capability, and vigorously promote the socialization of government functions. The idea is to advance toward the goal of "big society, small government" gradually. This basic guiding principle should pervade government and administrative reform. A string of reform measures now under way—the separation of party and government functions, the separation of government administration and enterprise management, the rational division of powers and functions between the central government and local authorities at all levels—are important basic work, indispensable to the socialization of government functions. No doubt we should continue them and do an even better job. On the other hand, the reality in China at the moment determines that instead of being weakened, the economic and social functions of government must be strengthened where justified. It is pivotal to the successful development of socialism in China to maintain and enhance government authority and discharge the government's leadership and organizational roles in all facets of social life fully and effectively. The conclusion is clear: The "small government" model cannot be our choice in the short haul.

### 3. About the Delegation of Power

The delegation of power is an important part of political-administrative structural reform in China. Its essence and purpose is to reform the existing excessively centralized political-administrative system, distribute power rationally, and straighten out the central-local relationship in order to mobilize the initiative of every sector of society. Since the Third Plenary Session of the 11th CPC Central Committee, much work has been done in this area, such as expanding the power of local governments

to manage social and cultural affairs, putting a number of ministry-affiliated enterprises under the jurisdiction of localities, enlarging the decisionmaking authority of enterprises, applying special economic policies in special economic zones and 14 opened coastal cities, and giving them more power in handling foreign economic relations. On the whole, the host of reform measures designed to delegate power have been remarkably successful in rationalizing the central-local relationship. Nevertheless, many problems remain and numerous new contradictions have arisen, of which the most outstanding are the following: At a time when the division of power and responsibility between the central government and local authorities is far from clear, the power delegation plan has been put together in a highly haphazard and arbitrary manner. Buck-passing between the two levels is on the rise, as are instances where the two move at cross purposes, hindering one another. Power delegation has not been accompanied by the creation of a powerful macroeconomic regulation and control system. As a result, problems like market fragmentation, regional empire-building, competition for resources, and the loss of control over capital construction investment are worse than at any time in the past. The authority of the central government has weakened notably.

On the question of power delegation, we indeed found ourselves in a predicament. Had we not delegated power, we would not have been able to mobilize the initiative of localities and enterprises and energize the economy. So we delegated power, only to vastly complicate macroeconomic control by the state and exacerbate the loss of control over investment, leaving us no choice but to launch a drive to improve the economic environment and rectify the economic order. How to follow through with power delegation, safeguarding and furthering what has been achieved, at the same time overcoming the attendant negative side effects, is a thorny issue that we face and must resolve. Reviewing our experiences and lessons in this area, past and present, we think the following points are well worth mulling over carefully.

First, consider power delegation in the context of the special features of China's political-administrative system. China is a socialist unitary state, whose unitariness assumes the form of democratic centralism. Because it conforms with China's national characteristics and is in line with the fundamental interests of all nationalities, this particular structural feature will not change as the political-administrative system is reformed. China's unitary system of democratic centralism has the following characteristics. The supreme policy-making power and control of the state are centralized in the hands of the central government. There are uniform laws and discipline which local governments at all levels must obey and execute. The central government is the paramount organizer and coordinator of all social, economic, political, and cultural activities, wielding enough economic force to influence the entire nation, and, as such, plays a powerful and authoritative centralized commanding role. Under the unified leadership of the central government, local authorities enjoy such power as determined

by the central government and necessary for solving various local problems. A major issue that political-administrative reform in China must tackle is the excessive centralization of power under a centralized system. It is absolutely not the job of political-administrative reform to alter the centralized system itself. There is a fundamental difference between democratic centralism and autocratic centralism. Centralization is no synonym for autocracy and totalitarianism. Those who argue that centralization must be got rid of in order to end over-concentration of power are conceptually confused at best. In his book *The Modernization of China*, Professor Gilbert Rozman, an American, compares modernization in China with that in Japan and Russia and arrives at a crucial conclusion, "Latecomers that have 'succeeded' in modernization must make use of extraordinary centralization elements as well as a balanced allocation of power and resources at every level." There are fundamental differences between Japan's political-administrative system and ours, but it too is a centralized state. After the war, Japan introduced local self-government. Local authorities enjoy a measure of statutory autonomy, but remain under relatively tight central control in legislation, administration, finance, and other areas. In finance, especially, the central government in Japan has always commanded enormous economic forces and can control the activities of local governments through such tools as the appropriation process. Earlier, China went in for power delegation. Local governments were allowed to keep profits and a system of separate finances was instituted. These changes certainly played a key part in mobilizing local initiative, but they also diminished the economic forces at the centralized command of the central government and weakened the role of the central government as the principal regulator of social economic life. China is a developing nation short on social resources. For a long time to come it will not be able to give up entirely the allocation of limited resources, using centralized unified methods in order to ensure their balanced allocation and promote the coordinated development of all economic sectors and all regions. As far as the resource allocation system is concerned, what we must solve in the near term is the problem of "high degree of concentration" and "excessive centralization," but under no circumstances are we to discard necessary concentration. To introduce the so-called separation-of-powers style of resource allocation now may do more harm than good.

Second, consider power delegation in the context of economic structural reform and political-administrative reform as a whole. The short-term objective of political-administrative reform is to establish a leadership system that will increase efficiency, enhance vitality, and mobilize the initiative of all parties. The separation of party and government functions, the delegation of power, organizational reform, the reform of the cadre personnel system, democratic legal construction... these are some of the detailed reform measures for achieving the limited objectives during this stage. Although each of these measures have its own separate objectives and contents,

they are dependent on and interact with each other. Not a single one of them can be implemented without advancing the others at the same time. The separation of party and government functions and the straightening out of party-government relations are the cornerstone and prerequisite for the delegation of power. The reform of government machinery to a large extent must be considered and worked out based on the actual situation in the separation of party and government functions and the degree to which power has been delegated. The reform of the cadre personnel system is basic to the delegation of power. As for democratic legal construction, it is an ideological and institutional guarantee for the smooth progress of the delegation of power. In considering the delegation of power, therefore, we must at the same time take into account what actually is being accomplished in other reforms. It is not good to move either too fast or too slowly. In the long run, clearly we have not done enough to delegate power. For the time being, though, it is also obvious that the delegation of power has moved too far ahead of others, with negative consequences that could have been avoided in part or in whole.

While the delegation of power is an important part of political-administrative structural reform, it is closely related to economic structural reform. In fact, it was the development of the economy and the intensification of reform that first created the need to delegate power. The delegation of power must be coordinated with the progress of economic structural reform as well as dovetail with other reform measures in the area of political-administrative reform. Right now the economic system features two sets of regulatory and control mechanisms, two sets of operating mechanisms, one old, one new. In theory, this situation should be brought to an end as soon as possible. In other words, the transition from the old to the new should be accelerated. In reality, though, the transition cannot be wished away, but must take place gradually as various relevant conditions mature one by one. By the same token, the delegation of power must also be an incremental process, not something that can be accomplished overnight. For instance, given the severe shortages of energy, raw materials, and funds at the moment, large enterprises with an impact on the national economy and people's livelihood cannot yet be completely removed from command planning by the state. Moreover, the state should continue to ensure that key projects be provided with materials and funds through the necessary administrative methods. Accordingly, the government departments in charge of these affairs should not be abolished, nor can their authority be delegated. That their authority is not delegated now does not mean that it will never be delegated in the future. Nor does a readjustment of some of the powers already delegated in light of the actual circumstances signify a restoration of the old system.

Third, the delegation of power is not simply a one-way street—from the top down. It goes both ways—exercising control from the top as well as delegating

power to the bottom. In the past few years economic structural reform and political-administrative structural reform in China have basically been from the top down: delegating power to the localities, enterprises, and units to mobilize their initiative. This approach was taken specifically with the shortcomings of the existing political and economic systems in mind, namely over-centralization of power. Certainly this approach was correct and should be adhered to in the future, but make no mistake about it, the delegation of power should not simply be the delegation of power to the lower levels. It is not a one-way street. In drawing up the power delegation plan, we should also consider the macroeconomic regulation and control plan. The extent to which power is delegated depends mainly on the degree to which control can be exercised at present. Whether or not a piece of power should be delegated should be organically linked to whether or not it can be delegated. In the long haul, some powers should be delegated. For the time being, however, given the existing circumstances, the necessary regulating and control capability and mechanisms are still not yet in place. To delegate these powers now will do more harm than good. In this case, we should not delegate power for the time being. As an alternative, certain transitional measures may be adopted. Only if the extent of power delegation and microeconomic vitalization is in line with the degree to which control can be exercised on the macroeconomic level can we break the vicious circle of "delegation—chaos—tightening the screws." The delegation of power is reform, but so is the enhancement and improvement of macroeconomic control. The two must proceed in tandem. Maybe we will stumble upon an optimal power delegation plan near the meeting point between the delegation of power to the lower levels and the exercise of control from the top.

#### Footnotes

1. *Building Socialism With Chinese Characteristics*, revised and enlarged edition, p. 117.
2. *Important Speeches by Comrade Deng Xiaoping*, February-July 1987, p. 37.
3. *Selected Works of Marx and Engels*, p. 413.
4. *Ibid.*, p. 377.
5. *Ibid.*, p. 377.
6. *Ibid.*, p. 376.
7. *Ibid.*, p. 438.
8. *Ibid.*, p. 439.
9. *Selected Works of Lenin*, Volume 2, p. 212.

#### CPC Guards Against 'Solidarity' in Unions

90ON0397A Hong Kong CHAO LIU [TIDE] in Chinese  
No 36, 15 Feb 90 pp 28-30

[Article by Qian Sui (6929 4482): "Chinese Communist Authorities Guard Against 'Solidarity' in Communist Youth League, Trade Unions, and the All-China Women's Federation"]

[Text] The rapid and turbulent changes in East European politics has caused the Chinese Communists to worry about the occurrence of "popular unrest" in the mainland in the form of demonstrations and strikes. They are especially wary of workers and young students, and are afraid they could spark a mass movement similar to those of Eastern Europe and form a hostile political force if they take to the streets. Therefore, *the regime has either sacked or subjected to internal criticism responsible cadres whom it doesn't trust in what are known as the three big mass organizations—the Communist Youth League [CYL], the labor unions, and the All-China Women's Federation. These cadres include Zhu Houze [2612 0624 3419], Song Fude [1345 4395 1795], Liu Yandong [0491 1693 2639], and Zhang Guoying [1728 1613 5391].*

*This is the "crisis effect" that has been caused by the changes in Eastern Europe.*

#### Stern Warnings Related to Reprisals

The Chinese Communists' Central Committee has recently passed down a "Notice Concerning the Strengthening and Improvement of Leadership of the Trade Unions, the CYL, and the All-China Women's Federation." This notice stipulated that the CYL, the All-China Women's Federation, and the labor unions would "be subject to the leadership of party committees at their own level as well as that of their superior organizations, and the primary leadership shall be exercised by the party committees at their own level."

The "Notice" also alerted party committees at every level to "be on guard to prevent tendencies that could lead to attempts to escape from or weaken the party's leadership, and to be careful to prevent anyone with ulterior motives from destroying stability and unity. Absolutely no organization shall be allowed to advocate any antiparty position. Absolutely no political organization that opposes the four basic principles or threatens the national regime shall be allowed to exist."

This was a severe warning to the CYL, the labor unions, and the All-China Women's Federation. It indicates that the Chinese Communist authorities are now preparing to prevent these organizations from following the path of independence and autonomy taken by Solidarity in Poland.

When the Chinese Communists raised this kind of warning, it was actually a reprisal following the 1989 democracy movement. After the students began their



hunger strikes and demonstrations last May in Tiananmen, the CYL Central Committee, All-China Federation of Trade Unions, and the All-China Women's Federation all publicly pronounced their sympathy with the students and praised their patriotic motives. They called upon responsible officials from the Chinese Communists' Central Committee and the State Council to meet with the students as soon as possible and talk with them in an atmosphere of sincerity and equality. Many cadres from these three organs took to the streets and joined in the peaceful marches to support the students' struggle for democracy. In addition, the All-China Federation of Trade Unions also gave 100,000 yuan in humanitarian aid to the students participating in the hunger strike.

Personnel in work units belonging to the CYL, labor unions, and All-China Women's Federation were deeply involved in the student movement. These people included young instructors from the CYL Central

League School and the Youth Political Institute, as well as reporters and editors from the newspaper ZHONGGUO QINGNIAN BAO. Among them, Yuan Zhiming [6678 1807 2494] was involved with several petitions within the intellectual community which expressed opposition to dictatorship and support for democracy. He and others were targeted for arrest after the 4 June incident.

The attitude of cadres from central organs in the CYL, labor unions, and the All-China Women's Federation toward the 1989 democracy movement, and the role played in the democracy movement by workers, youth, and students, caused the Chinese Communist authorities to distrust the CYL, labor unions, and the All-China Women's Federation. For this reason, they launched "rectification" work and strengthened the control of party organizations over the CYL, labor unions, and the All-China Women's Federation.

### Communist Youth League (CYL) Secretariat

Compiled from materials in CHAO LIU library.

Name	Year of Birth (Age)	Native Place	Level of Education	Experience	Current Position
Song Fude	1946 (44)	Yanshan County, Hebei	Middle school	Platoon leader; deputy company political instructor; staff member of group army political department; director, Youth Section, Political Department, Air Force; deputy division head, Youth Division, General Political Department; secretary, Central Committee, CYL;	First secretary, Central CYL; president, Youth Political Studies Institute; Central Committee member, Communist Party of China (CPC)
Liu Yandong	1944 (46)	Nantong County, Jiangsu	Chemistry Department, Qinghua University	Director, Political Department, Beijing Chemical Experiments Plant; deputy secretary, Chaoyang District party committee, Beijing; vice president, All-China Federation of Youth; member, Standing Committee, Chinese People's Political Consultative Conference (CPPCC)	Secretary, Central Committee, CYL; president, All-China Federation of Youth; member, Standing Committee, People's National Congress
Li Chaoyuan [2621 3390 3293]	1950 (40)	Lianshui County, Jiangsu	Mathematics Department, Fudan University	Deputy secretary, Fudan University CYL party committee; secretary, CYL Shanghai party committee	Secretary, CYL Central Committee; director, Young Pioneers Work Committee; member, Standing Committee, CPPCC
Zhang Baoshun	1950 (40)	Qinhuangdao, Hebei	Middle school	Dock worker, Qinhuangdao; secretary, CYL committee, Qinhuangdao Port Affairs Bureau; deputy secretary, party committee, Qinhuangdao Port Affairs Bureau; deputy director, Young Workers Department, CYL Central Committee; alternate secretary, CYL Central Committee	Secretary, CYL Central Committee; vice president, All-China Federation of Youth



## Communist Youth League (CYL) Secretariat (Continued)

Compiled from materials in CHAO LIU library.

Name	Year of Birth (Age)	Native Place	Level of Education	Experience	Current Position
Li Keqiang [2621 0344 1730]	1955 (35)	Dingyuan County, Anhui	Law Department, Beijing University	Secretary, party branch, Fengyang County Produc- tion Brigade; secretary, CYL party committee, Bei- jing University; deputy department head, CYL Central School; alternate secretary, CYL Central Committee	Secretary, CYL Central Committee
Lingzhi Duojie [7227 2535 1122 2638]	1948 (42)	Tongde County, Qinghai	Normal school	Deputy department head, Propaganda Department, Tongde County party com- mittee; secretary, CYL party committee, Hainan Autonomous Prefecture; secretary, Xinghai County party committee, Qinghai; prefecture head, Tibetan Autonomous Prefecture, Hainan	Secretary, CYL Central Committee; member, CPPCC
Liu Qibao [0491 1142 5508]	1953 (37)	Susong County, Anhui	Anhui Normal University	Staff, Propaganda Depart- ment, Anhui Provincial party committee; deputy head, Propaganda Depart- ment, CYL party committee, Anhui Prov- ince; deputy secretary, CYL party committee, Anhui Province; secretary, CYL party committee, Anhui Province; mayor, Suzhou Municipality	Secretary, CYL Central Committee
Feng Jun [7458 6511]	1949 (41)	Mingshui, Heilongjiang	Harbin Normal University	Deputy party secretary, Mingshui County Commune party committee; secretary, Mingshui County party committee; depart- ment head, CPC Mingshui County Propaganda Department; deputy head, Propaganda Department, CYL Central Committee; department head, CYL Central Committee	Secretary, CYL Central Committee

**Reform Faction Cadres Once Had Power in the CYL,  
Labor Unions, and the All-China Women's Federation**

The warning by the Chinese Communists against the CYL, labor unions, and the All-China Women's Federation, was also related to the fact that the reform faction had once been in control of these organizations.

The CYL had been under the leadership of Hu Yaobang for a long time. Hu Qili [5170 0796 4539], Wang Zhaoguo [3769 0340 0948], and Hu Jintao [5170 6930 3447] were all close associates of Hu Yaobang and all have held the position of first secretary of the CYL Central Committee. Song Fude and Liu Yandong have held the posts of first secretary and member of the Secretariat, respectively, and have been supporters of calls by Hu Yaobang and Zhao Ziyang for reform. Prior to the 4 June incident, they had sympathized with the

students and had called for a peaceful settlement of the dispute, and after the 4 June incident they did not go along with a total negation of Zhao Ziyang's reforms.

*The person actually in charge of the All-China Women's Federation is Zhang Guoying, the vice chairman and first secretary. She was a local cadre in Guangdong who was brought to the center by Zhao Ziyang. She has previously served for the Chinese Communists in Guangdong as deputy secretary of the Baoting County party committee, deputy secretary and secretary of the Renhua County party committee, and deputy secretary of the Huiyang County party committee. She was transferred to Beijing a few years ago to work in the Secretariat of the All-China Women's Federation, and it is said that she was recommended for this job by Zhao Ziyang.*

Zhu Houze, who was transferred to the All-China Federation of Trade Unions in the fall of 1988 to take charge

of the Secretariat, was a close associate of Hu Yaobang and a progressive reform faction cadre. He had once served as minister of propaganda for the Chinese Communists. After the fall of Hu Yaobang in the spring of 1986, Zhao Ziyang arranged the post of deputy director of the State Council's Research Center for Rural Development for him, which carried a rank equivalent to that of deputy minister.

There is no way the current authorities can trust these people, so the scope of the reorganization of the CYL, labor unions, and the All-Women's Federation will be quite large. The All-China Federation of Trade Unions has already been completely reorganized, and Zhu Houze has been stripped of his posts as first deputy chairman and first secretary. It is reported that Zhang Guoying will be transferred away from the All-China Women's Federation Secretariat. The authorities are presently sending many obedient worker cadres and military men to take control of the CYL, labor unions, and the All-China Federation of Women. This is what the people of Beijing have been referring to as they whisper among themselves about how the Communist Party is digging a hole under its own house [that is, digging its own grave].

#### **Authorities Concerned About Tendency To Stray From the Party**

Because the reform faction has had a relatively large influence on the CYL, labor unions, and the All-China Federation of Women, high-level cadres in these organizations have called upon the CYL, labor unions, and the All-China Federation of Women to become more "popular in nature" and more democratic. They feel that although the CYL, labor unions, and the All-China Federation of Women are subject to the leadership of the party, the party cannot take care of everything, and that there should be internal democracy. They feel, for example, that leading cadres should be elected internally instead of being sent down by the party. They feel that politics should receive less emphasis while the popular character of these organizations should be highlighted, and that they should have considerable independence and autonomy. The aforementioned "Notice" emphasized that the rampant spread of "bourgeois liberalism" had exercised "a certain amount of influence" upon the CYL, labor unions, and the All-China Federation of Women. This was a reference to their tendency to grow more distant from the party organizations of the Chinese Communists. This was another reason why the CYL, labor unions, and the All-China Federation of Women received this warning.

#### **Profile of Shanghai Mayor Zhu Rongji**

90CM0099A Hong Kong CHING PAO [THE MIRROR] in Chinese No 3, 10 Mar 90 pp 56-58

[Article by Wei Jung (7614 1369): "Zhu Rongji, A Man Whose Political Future Is Worth Watching Out For"]

[Text] [Editor's note] There are recent rumors that Shanghai's Zhu Rongji may be promoted to work in the central government as vice premier. Although this has been denied by the man himself, people's interest in Zhu Rongji has been fueled. The following account of "impressions" may help our readers understand Zhu Rongji better. [end editor's note]

Most Shanghai residents first came to know Zhu Rongji through a special news program presented by the Central Television Studio.

The time was March 1988, when the First Plenary Session of the Seventh NPC [National People's Congress] was held in Beijing. At a press conference arranged by the NPC Secretariat for live broadcast to the whole nation, Zhu Rongji appeared on the screen for the first time as the responsible person of Shanghai Municipality. His official capacity then was deputy secretary of the Shanghai CPC Committee and head of the Shanghai delegation to the First Plenary Session of the Seventh NPC. Actually, at that time he had already been named by the higher authorities as a candidate for the seventh mayorship of Shanghai, to succeed Jiang Zemin who was about to be relieved of his duties as mayor to take up the post of secretary of the Shanghai CPC Committee. When a Taiwanese reporter addressed him as "vice mayor of Shanghai" during the question period, he immediately took over the thread of conversation by saying, "I would feel very much honored if I were elected mayor of Shanghai at the forthcoming Ninth Shanghai Municipal People's Congress." Such frank and open disclosure of one's new appointment was something rarely found in the political arena on the China mainland. Some analysts pointed out then that Zhu Rongji's new appointment definitely had the strong backing of those at the top and that he himself must have great confidence in his new tasks.

In April that year, at the First Session of the Ninth Shanghai Municipal People's Congress, Zhu Rongji was elected the seventh mayor of China's largest city since the communist takeover.

#### **Graduated From Qinghua, Once a "Rightist"**

Many people in Shanghai viewed their new mayor with mixed feelings: What kind of person is he? What is he going to bring to the people of Shanghai?

It was at that municipal People's Congress that Zhu Rongji revealed his personal background for the first time.

Zhu Rongji was born into a family of declining fortune in Changsha, Hunan, in October 1928. Orphaned at an early age, he never knew happiness during his childhood and adolescence as did other children. He thus grew up into an independent and aspiring person, whose only pleasure came from study. Aside from compulsory courses, he became infatuated with the works of Lu Xun, Ba Jin and Mao Dun. In 1947, his wisdom and hard work enabled him to graduate from the No. 1 Middle

School of Hunan with flying colors and be admitted into Qinghua University, the country's highest institute of engineering, to study electrical engineering. During his college years, he took active part in student movements against the Kuomintang and was elected chairman of the student union. In October 1949, he joined the CPC. Upon graduation in 1951, he went to work in the northeast under the Ministry of Industry and later took part in the establishment of the State Planning Commission. His long years in industrial and economic work enabled him to gradually accumulate experience in leading economic work.

In the violent storms of the "antirightist" movement of 1957, Zhu Rongji was branded a "rightist" because of something he had said, and was expelled from the party. Zhu Rongji recalled these years with great emotion, but he did not seem despondent. He said that during those years he had come into contact with a lot of people and learned something that was new to him. He taught mathematics, physics, and chemistry to old cadres in the State Planning Commission and trained apprentices at the grassroots level. During the Cultural Revolution, he worked in the rural areas for five years, growing wheat and doing all kinds of farm work, an experience that left him with injured waist muscles.

In 1978, after being rehabilitated as a "rightist," Zhu Rongji was appointed director of the Institute of Industrial Economics under the Chinese Academy of Sciences on the recommendation of noted economist Ma Hong. Subsequently, he served under the State Economic Commission as bureau chief, vice chairman, and party group deputy secretary.

After arriving in Shanghai to take up his new post in early 1988, Zhu Rongji had expressed on more than one occasion that he lacked experience in local administrative work, having spent most of his working years in economic departments at the central level. However, his resolute work style, down-to-earth approach, and concern for the people had left the people of Shanghai a deep impression right from the start.

#### **Develop Industry and Accumulate Funds**

People's first impression of Zhu Rongji after his assumption of office was one of sternness. Scarcely two months had gone by when quite a number of bureau-level cadres in important positions, whom no one dared offend, were put on the spot by Zhu's open criticism of their deeds. Rumors that the new mayor was "fond of reprimanding others" spread like wildfire among cadres at various levels. However, as proven by subsequent facts, Zhu just happened to be an impetuous person. He only criticized the senior cadres because he was eager for them to change their perfunctory and dilatory style of work, improve their efficiency, and tackle the problems facing Shanghai as quickly as possible. He had no intention of "making others suffer" and "bringing about a change of guards." When reappointing officials to committees, offices, and bureaus in accordance with regulations, he

retained almost all members of the previous municipal government, with the exception of a few who were assigned other duties because they were over the age limit. Zhu Rongji later explained on several occasions, "I feel rather anxious seeing that some problems have not been properly tackled and the masses have complaints about us. Being short-tempered, I might have offended some comrades. Do forgive me." Actually, his "sternness" is highly thought of by many in Shanghai.

Before his appointment as mayor of Shanghai, Zhu Rongji, as vice chairman of the State Economic Commission, was responsible for the technological transformation of industrial enterprises across the nation. He had no track record as local chief executive. People used to be skeptical about his ability to cope with the thousand and one things that the mayor of a big city like Shanghai had to attend to.

As an experienced economic official who had spent long years working in China's highest production command, Zhu Rongji is fully aware of the importance of improved industrial production to Shanghai and to the nation as a whole. Industrial production is, in fact, the financial life blood of Shanghai. Provided that industrial production can proceed as normal and make steady progress, Shanghai will be able to accumulate the necessary funds for construction projects, as well as fulfill its financial commitments to the state. (In recent years, Shanghai has handed over over 12 billion yuan to the state each year, accounting for about one-tenth of total state revenue. After deducting the part handed over by enterprises directly under the central government, Shanghai is still responsible for about a quarter of the revenue handed over by various provinces.) Hence, Zhu Rongji has been grasping industrial production without letup. During the past two years, he visited enterprises to conduct investigation and study, and he urged the factory directors and managers to work side by side with their workers in order to strengthen management and improve performance. On the other hand, he devoted himself to helping enterprises improve their external production environment. He even took it upon himself to find the necessary energy and raw and semiprocessed materials for industrial production in Shanghai. For instance, toward the end of last year, he led a delegation to Shanxi and Inner Mongolia to negotiate coal supply to Shanghai.

#### **Make Efforts To Do "Concrete Things" and Set People's Mind at Rest**

In order to properly run and build up a big city with a population of 12 million, the most important thing is to maintain stability and be able to rally the people. Zhu Rongji has attached great importance to this task ever since he first became mayor of Shanghai.

For historical reasons, urban development in Shanghai is beset with problems. It is common knowledge that there are "too many accounts outstanding" and that urban livelihood is one great inconvenience. The public always complains about this situation. During the period when

Jiang Zemin was in charge, the Shanghai municipal government decided to do a number of "concrete things" each year in order to gradually bring about the solution of problems like housing shortage, traffic congestion, and environmental pollution, and overcome difficulties encountered by the public in their everyday life. After taking over as mayor, Zhu Rongji continued to uphold the policy of doing concrete things. At that time, urban construction in Shanghai was faced with new problems. Under the macroclimate of a nationwide curb on the scale of capital construction, it was impossible to embark on construction projects in a big way. On the basis of investigation and study, Zhu put forward the policy of proceeding from management in grasping urban construction, and adopted a series of measures to improve public transport, clean up roads occupied and used for other purposes, reorganize the taxi business, control water pollution on the upper reaches of the Huangpu, and step up the renovation and maintenance of houses. To begin with, he singled out public transport, a problem most resented by the public, as the primary target of improvement. He repeatedly went to the Shanghai Public Transport Company to attend on-the-spot meetings, have heart-to-heart talks with the cadres and workers, and help tackle practical problems. Although Shanghai was in great financial difficulty last year, he still allocated over 200 million yuan to subsidize public transport. This move redressed the problem of public transport to some extent and benefited the public.

Environmental pollution, along with transport and housing, are three major problems confronting Shanghai. Shanghai had started the first phase of a diversion project on the upper reaches of the Huangpu to improve the quality of drinking and industrial water. The problem is that there are many factories on upper reaches of the Huangpu with serious pollution problems. They keep discharging toxic sewage into the river every day, posing a serious threat to the Huangpu. Last July, Zhu led a delegation to the water-source protection zone on the upper reaches of the Huangpu and held an on-the-spot meeting there. Faced with the growing pollution of the Huangpu, he said with deep feeling: "The Huangpu is Shanghai's mother. Without the Huangpu there is no Shanghai. We should show the Huangpu the kind of profound feelings we have for our mother." Officials and working personnel who accompanied him on this trip were all deeply touched. That day, Zhu had talks with the directors of each of the dozen or so factories where pollution was a major problem and did not stop until he succeeded in persuading all of them to move their premises or adopt pollution-control measures. According to those who had dealings with Zhu or had been "reprimanded" by him, Zhu is bold and resolute in his work and, unlike officials who always hide themselves behind a poker face, is good at showing his emotions.

Of course, the most praiseworthy of the concrete things done by Zhu is the work done by the municipal government on the "vegetable basket" project these last two

years. Zhu Rongji often said that food is the primary concern of the people. When the vegetable basket is in good condition, the people will feel confident. It is only then that Shanghai can launch its work. Today, one will find all sorts of vegetables, meat, fresh fish, and fowl in Shanghai markets. Prices are basically stable and public resentment has been considerably reduced.

#### **People Dread Not Strictness, Only Honest Officials**

Zhu Rongji has always stressed the importance of clean government. At the NPC session when he was elected mayor, he pointed out that his objective was to build an "honest, efficient, and authoritative" municipal government. His pet phrase was this ancient saying: "People are not afraid of strictness; they are only afraid of honest officials, as honesty commands awe." As soon as he took office, he instructed the supervisory bureau to keep a close watch over the 506 bureau-level cadres. He believed that only when all senior cadres of the municipal government were honest would it be possible to cultivate the practice of clean government among cadres throughout the municipality. Under his direction, the municipal government drew up a set of rules and regulations for clean government. On one occasion, a bureau-level cadre accepted a gift when he attended a public function. When Zhu Rongji learned about this, he summoned the cadre to his office, seriously reprimanded him, and ordered that the gift be returned forthwith. The practice of entertaining guests, presenting gifts, and feasting at public expense was thus quickly checked. Gone are the days when luxury hotels were bustling with noise and excitement as people wine and dine.

After what happened in Beijing on 4 June, two incidents occurred in Shanghai. One was the burning of a train at the Guangxin Road junction and the other was the citywide traffic blockade. They were no doubt a severe test to Zhu Rongji's efforts toward bringing about stability in Shanghai. Under the all-out support of the central authorities and Jiang Zemin, Zhu Rongji demonstrated his determination, resourcefulness, and ability in stabilizing the situation. In his televised address to the people of Shanghai on the evening of 8 June, he said he would not hesitate to sacrifice his own life to defend the stability of Shanghai. At the same time, he also said he believed that the people of Shanghai, particularly the 2 million industrial workers, were the hard core in the maintenance of stability in the city. Hence, he announced that martial law would not be imposed in Shanghai. His address, which brimmed with a sense of justice and sincerity, crushed the rumors that gripped the city and touched the hearts of the people of Shanghai who desired a peaceful life. The following day, traffic returned to normal and the city became peaceful and quiet once again.

When praised for his televised address, Zhu Rongji repeatedly emphasized that it was the result of the great support given him by the central authorities and the people of Shanghai, and that his address just happened to be made at the right time.

**Inspection of Beijing and Tianjin, Development of Pudong**

Shanghai was once known as the "metropolis of the orient." The reform and open policy have given this city a chance to restore itself to its old splendor. During the past 10 years, the blueprint mapped out by Shanghai for itself has become increasingly clear. Since assuming office, Zhu Rongji has put in a lot of hard work trying to turn this blueprint into reality and has carefully deliberated on the overall development of Shanghai. In March last year, he led the staff of construction and planning departments on an inspection tour of Tianjin and Beijing to study the overall planning and construction work of these two cities. After returning to Shanghai, he consulted those concerned time and again on urban planning in this city, and invited urban planning experts and scholars from Tianjin and Beijing to come and see the city for themselves. He listened to the suggestions of these experts on the overall layout of the city's transport network and urban development, the establishment of economic and technological development zones, the construction of ports, and so on, in an effort to modify and improve urban planning for Shanghai.

Zhu Rongji's concern for urban planning is also seen in the development of Pudong. The former mayors of Shanghai, including Wang Daohan and Jiang Zemin, had made some tentative plans to develop Pudong. Since assuming office, Zhu Rongji has taken steps to make these plans more concrete and has carried them to greater depth. He visited Pudong on many occasions to find out about the feasibility of constructing the port, power plants, and other infrastructure facilities at Waigaoqiao. At present, the overall plan for the development of Pudong has been drawn up and first-phase preparations are underway. For instance, the two sides of the Huangpu Bridge at Nanpu are due to be joined later this year, and an initial feasibility study on the fourth river crossing project is underway. Zhu has said on more than one occasion that Shanghai must develop Pudong if it is to implement the reform and open policy and restore its former splendor. He instructed his staff to do a good job of developing Pudong and turn it into a new development zone of Shanghai in letter and spirit.

**A Learned and Articulate Person**

This author was told by those who had frequent contact with Zhu Rongji that people often could not help being drawn to this mayor by his bearing and knowledge. Zhu Rongji never reads from prepared manuscripts when he speaks or delivers reports in public, except on very formal occasions. He prefers making impromptu speeches and chatting. His audience is often entranced by the tightness of his logic, the clarity and richness of his ideas, and the vividness of his language. This obviously has a lot to do with his mastery of literature. It is

understood that he is particularly fond of Beijing opera and is, in fact, an amateur performer of this art.

Many people said Zhu Rongji is a senior Chinese Communist cadre who has the world in mind. During his term of office with the State Economic Commission, Zhu visited many countries, as he was in charge of the assimilation of imported technology. He has a thorough understanding of the present state and future trends of world economic and technological development. He also has a good command of English and often speaks to visitors from abroad in English.

It has been two years since Zhu Rongji first took up the office of Shanghai mayor. After Jiang Zemin's appointment as general secretary of the Chinese Communist Party, Zhu was also made secretary of the Shanghai municipal party committee. The 12 million people of Shanghai have gradually come to accept him and have placed increasingly higher hopes on him. Many people have pinned their hopes for Shanghai's prosperity and takeoff on this 61-year-old man from Hunan.

**Theoretical Workers Mark Lenin's Birthday**

HK0805133090 Beijing RENMIN RIBAO in Chinese  
26 Apr 90 p 1

[Report by Huang Meilai (7806 5019 0171): "Theoretical Workers of Institutions of Higher Education Hold Forum to Mark Lenin's 120th Birthday"]

[Text] Beijing, 24 April (RENMIN RIBAO)—A forum for theoretical workers of institutes of higher education to mark Lenin's 120th birthday was held at Qinghua University, Beijing between 22 and 24 April. Warm and in-depth discussions were conducted among the 120-some theoretical workers on forming a close connection with reality, focusing on Lenin's doctrines on the epoch, imperialism and the colonial emancipation movement, socialist revolution and construction in backward countries, the state and party building, and the principle of party spirit in the ideological sphere.

The participants believed that Lenin's doctrines continue to play an important, realistic role in building socialism with Chinese characteristics, opposing peaceful evolution, and repudiating the ideological trends of bourgeois liberalization. In line with the actual conditions on campus, they also reviewed the political storm that broke out last year, and felt deeply the importance of increasing education in Marxism-Leninism and Mao Zedong Thought among college students.

Deng Liqun, Xu Liqun, Zhang Wensong, Chen Daisun, Cai Yi, Song Tao, Tao Dayong, Han Shuying, and Wu Shuqing were present at the theoretical forum. Comrade Teng Teng delivered a speech at the opening ceremonies.

## NATIONAL AFFAIRS, POLICY

### Call for Advancement of Reform

90OH0405A Chongqing GAIGE [REFORM] in Chinese  
No 1, 20 Jan 90 pp 126-128, 177

[Article by Tang Mingfeng (0781 2494 1496): "Advancement of Reform Is the Basic Guarantee for Improvement and Rectification"]

[Text] The way we judge current economic conditions affects our ability accurately to implement the spirit of the Fifth Plenary Session and to achieve decisive victory through further retrenchment.

### I. The "Production Slump" Is a Product of the Initial Phase of Economic Restructuring

There have been common patterns behind the production slumps in each economic restructuring that has occurred over the years. On the first occasion, negative growth occurred in 1961 and 1962 during the readjustment of the early 1960s, and the national economy did not rebound until 1963 and thereafter. On the second occasion, the readjustment of the late 1970's and early 1980's, the sham expansion of the national economy and blind development began to end after the initial readjustment of 1979, and growth in gross industrial output value was five percentage points lower than the level posted in 1970. Industrial growth tumbled five points in September 1980 and another 2.5 in October and did not rebound until 1982, when it reached 7.7 percent. The structural composition of the economy markedly improved, and heavy industry rebounded from stagnation to growth of 9.9 percent.

Growth in industrial output plummeted 19.3 percentage points from the year-old rate in September 1989 and by 22.5 points in October while the general price level rose by more than 13 percent more than figure a year ago in September, and during the first three quarters prices for the means of production climbed by 23.4 percent over the same period the previous year—and may have reached 20 percent. Thus, it is apparent that slumps in industrial production are a common product of the initial phase of economic retrenchment and restructuring. It manifests the effect of the "double tight" policy and suggests that the economy might sink into stagflation.

The question of whether we believe weakening sales on consumer good markets or the slump in industrial output is the product of the initial phase of economic restructuring will influence the next step in our retrenchment effort. The first choice may make us unrealistically optimistic and believe that weakening markets are a good thing that will induce enterprises to readjust their product lines. The second, on the other hand, reminds us that production slumps are an important signal that subject us both to challenge and pressure. I believe that there are three major causes of this year's slump:

1. Weakening markets are an indirect cause. According to statistics, in August, September, and October 1989, gross social commodity retail sales declined by 1, 0.7, and 0.3 percent, respectively, from their figures a year ago, while during the first nine months of 1989 circulating funds burgeoned by 28.2 percent over the year-ago level, and the amount of funds tied up by enterprise-finished goods increased by 60.2 percent. This demonstrates that weakening markets are an important cause of the slump in industrial output.

2. The "double tight" policy is a direct cause of the slump. Fund shortages are a major cause of the slump, for an important objective of restructuring is to reduce economic overheating. Statistical analysis by relevant departments reveals that in 1989 credit grew at a slower rate than during the previous two years. This naturally affects growth in output. Nevertheless, fund tightness is relative, and outstanding loans exceeded 1 trillion yuan during these years, growing at an average annual rate of 19 percent, greatly outstripping the 14.6 percent growth, computed in current prices, in GNP during the same period. From 1 January to 23 November 1989 a net total of 6.924 billion yuan in money was issued, the volume of currency in circulation reached 2.20327 trillion yuan, and the potential for the attraction of funds out of savings remains great.

3. Structural problems are the fundamental cause of the slump in output. It is in fact unfair to place principal blame for the slump on retrenchment. Enterprises confront not just a shortage of funds but the "five shortages"—of funds, foreign exchange, energy, transport, and raw material, and the light industrial system still faces severe shortages of electricity. The gap between planned and market prices for major means of production widened during the first half of 1989, with that for coal increasing from 48 yuan a ton in 1988 to 90, for steel from 598 to 790 yuan a ton, for aluminum from 4,860 to 7,203, and for soda ash from 256 to 270. Moreover, shortages of energy, transport, and raw materials are due to the prolonged imbalance in and steadily deteriorating sectoral composition. The previous fast pace resulted from the continued, extensive expansion of reproduction, the rush of everyone into the same lines of production, the blind development of processing industry, and redundant construction, which were driven by high inflation. Once the "double tight" policy was implemented, funds, now limited, were invested, in accordance with the need to restructure output, in key state producer enterprises and construction projects, and enterprises were no longer able to rely on steady increases in investment to expand reproduction extensively but had to adapt to the state's general call for sectoral restructuring and readjust their product lines, improve management, tap potential, improve efficiency, and strive to expand reproduction intensively. Clearly, this change is painful and requires a sharp fall in output. Thus, it is this that is the true product of the initial phase of economic restructuring.

## II. Economic Restructuring Hinges on Advancement of Systemic Reform

Retrenchment has entered the key stage of restructuring, which will determine the success or failure of retrenchment. Curtailment of aggregate volume is a necessary prerequisite, and weakening markets merely provide us leeway to readjust product lines. The basic prerequisite for restructuring is our ability to reallocate raw materials, and restructuring is required to create a rational mechanism for resource distribution. Only then will the results of restructuring be consolidated.

It may be said that China's economic structural problems are basically due to the prolonged buildup of systemic problems. In September 1989, when industrial output value rose by 0.9 percent, heavy industry continued to grow by 3.7 percent, 4.5 percentage points faster than light industry, a fact that created the impression our economic composition was improving. But in October, heavy industrial output also slid to -0.5 percent. This shows that restructuring is by no means easy. The current economic restructuring is occurring under the unusual circumstances of a decade of reform and with the coexistence of "two tracks," so China's economic structure necessarily is caught between the ossified old system and the new, still unregularized system.

- Enterprise tax contracting subjects the state to the restraints of responsibility contracts and objectively places the state in a passive position. How, then, can production be restructured?
- Efforts to effect enterprise mergers and optimization of sectoral and output composition are circumscribed by fiscal responsibility contracting, which impedes rational movement of assets. So how can the best be nurtured and the inferior be weeded out?
- "Fixed" by local fiscal responsibility contracts and unable to increase very much, state revenues cannot play a decisive role in changing investment mix. So how can fiscal policy serve as the "visible hand" in macroscopic readjustment?
- The state lacks economic clout, so how can its sectoral policy be implemented?
- With "two tracks coexisting," price relationships unadjusted, and, indeed, the state providing subsidies so as to protect prices, price relationships may be further distorted. How, then, can resources be allocated more efficiently, and how can the fiscal situation "fundamentally be improved"?

Thus this economic restructuring must be integrated with structural reform. Only if we establish, through reform of the old, ossified system and of the unregularized system of responsibility contracting; create a properly regularized and fair system of distribution; and, using this system, carry out state policy on restructuring can we enable retrenchment to achieve ultimate victory and China's economy to escape the cycle of "restructuring—imbalance—re-restructuring."

## III. Structural Reform During Retrenchment

Since reform cannot be implemented across the board, it should focus on restructuring the unregularized system.

*1. In the areas of planning, investment, producer goods and materials, and banking, we must stress improvement of macroeconomic management.*

First, we must continue to control growth in aggregate demand. It is especially important that, in combination with improvement in enterprise responsibility contracting, we resolutely hold down growth in consumption funds and strive to keep them roughly in line with labor productivity during 1990.

Second, we must strictly control investment volume. In line with state sectoral policy, we should, while selectively reducing investment in nonproductive projects in processing industry, appropriately relax control of funding for infrastructure and for production in basic industry. We should change the present practice of delineating authority to approve investment according to investment volume to a system that is based on sectoral development needs.

Third, we must readjust and improve credit policy. We should increase interest rates on loans, at least keeping those rates higher than those on savings deposits, and enhance the regulatory role of the interest rate parameter vis-à-vis supply and demand for funds. Interest rates are inflexible, and loan interest still accounts for only about four percent of enterprise costs. Since 20 and 60 percent of enterprises produce hot selling or regularly marketable goods, respectively, most firms can cope with loan interest burdens comprising four percent of total costs. And with resource utilization so inefficient, it is not only possible but necessary to raise loan interest rates appropriately.

*2. In the areas of fiscal policy and taxation, we must take the first steps toward the establishment of a properly regularized system of distribution.*

First, we must continue reforming the fiscal contract responsibility system. Important types of taxes that affect sectoral restructuring, such as the product tax, whose incidence is markedly unequal, may be turned over entirely to the central government for collection. Then we should reduce local government contract "base figures" and strive to make contracts the basis for a stable transition toward a system of tax sharing. Once the latter is established, one rate of tax sharing should be applied to all regions, rich or poor, and we should designate certain taxes as belonging to one government and others as to be collected by the localities and then shared.

Second, we must readjust government revenue and outlay distribution, increase the center's share of revenues, and strengthen the center's ability to control expenditures so as to enhance central macroeconomic regulation and control.



Third, we must change the traditional, unregularized system of quotaed remittances and subsidies to a regularized fund system or a functionally based system of repayable grants-in-aid. Once central revenue share is increased, the center should use some of its moneys to set up funds for reform, fixed capital investment, balanced regional development, agricultural development, and the like

Fourth, we must strengthen control of tax collection, especially of individual industrial and commercial entrepreneurs.

*3. In the area of enterprise reform, we must discipline the conduct of these basic economic actors.*

First, we must abolish the regulatory business tax and set up separate channels for tax and profit remittances.

Second, beginning in 1991, we must reduce enterprise income tax rates, make loan repayment an after-tax charge, and institute floating contract responsibility for after-tax profits, under which program profit remittance would float according to the price index, and earnings resulting from price hikes would revert to the government treasury.

Third, we must provide planned support for key, large enterprises and enable them to become the heads of conglomerates and to assume the main role as importers and exporters for the nation, especially of large-volume exports, so that foreign trade responsibility contracting gradually makes the transition to a system guided by conglomerates headed by large firms.

*4. In the area of prices, circulation, and markets, we should use restructuring to create the conditions for advancement of reform.*

First, we must follow the approach of fostering markets for the means of production first, combine readjustment and decontrol with the former primary, and replace the two tracks for pricing with one. On the basis of domestic planned and market prices and of international market prices, we should compute "overall average prices" to serve as the basis for price reform. Readjustment should be primary for the prices of upstream products, for which the state should set prices. The prices of mid-stream products should be readjusted first and then decontrolled; for some, we may focus on ensuring quality, not prices, or effect controlled market-adjusted prices. And the prices of downstream products should be decontrolled selectively, in phases, and by locality. Prices of goods for which there is a rough balance in market supply and demand should be decontrolled in one stroke, and prices of goods with elastic supply and demand should first be readjusted by the state and then progressively decontrolled as the effective supply increases. The prices of grain, cotton, oil crops, and a very small number of other necessities should continue to be set by the state. And the prices of a small number

of other goods should be linked to international market prices, as computed at readjustment foreign exchange rates.

Second, beginning in 1990 we must implement housing rent reform across the board. (This will be a stern test of administrative honesty.) (1) We must compute real rents based on current price levels, housing construction costs, returns on investment, and other factors. (2) We may retain and follow the current standards for distributing housing (housing use certificates issued for distributed units, in accordance with which commensurate government subsidies would be provided). (3) Housing-use certificates would be permitted to be transferred freely so that people may appropriately readjust their housing. We should also draw up regulations governing distribution, use, and subletting of housing and confiscate the housing of people who rent it at high rates.

Third, we must revamp the price subsidy system. The principle we should follow should be to avoid insistence on protecting what cannot be protected. We may consciously allow the prices of some goods to rise a bit so as to stimulate demand and reduce subsidies.

Fourth, we must continue rectifying circulation: (1) continue to winnow commercial companies; (2) issue licenses for dealing in producer goods and materials; (3) issue lists of important producer goods and materials; and (4) forbid private companies from dealing in the latter items.

Fifth, we must continue the effort strictly to control consumer goods prices. We must both strictly control price hikes and not rashly cut prices. For example, we depend mostly on imports for the picture tubes used in our color televisions, and with a foreign debt repayment hump looming over the next several years, we must not slash prices to push television sales even if sales stagnate; still less may we grant concessionary profit retention to television producers lest we spur even more blind development in electrical appliances.

Thus, during retrenchment, reform should not advance too fast, and we must root reform in restructuring and lay a good foundation for reform and stable development in the future.

#### **Macroeconomic Regulatory Problems, Solutions Discussed**

*90OH0405B Chongqing GAIGE [REFORM] in Chinese No 1, 20 Jan 90 pp 116-118, 125*

[Article by Li Jinzao (2621 6855 2483): "The Present Stage Macroeconomic Regulation and Control Problems and Their Solutions"]

[Text] Strengthening and improving macroeconomic regulation and control provides a basic guarantee of improving the economic environment and rectifying the economic order. To make macroeconomic regulation and control more effective and to extricate ourselves

from our difficulties as quickly as possible, it is essential that we achieve a clear understanding of the basic meaning of and the new problems confronting macroeconomic regulation and control so that we can adopt effective measures to counter those problems.

### **I. The Features of Macroeconomic Regulation and Control**

Macroeconomic regulation and control are means that the central government apply to the economic activities of the entire nation or society through administrative, economic, legal, and other measures so as to ensure sustained, coordinated growth of the national economy. Following are the principal features of macroeconomic regulation and control.

1. The main agent of macroeconomic regulation and control is the central government, not local governments or other entities. The duty of local governments is to carry out within their regions the macroeconomic regulation and control policies and decrees of the central government.

2. The principal target of macroeconomic regulation and control is the various economic entities and actors. This means that not only enterprises, agricultural households, and individual households of all types and other entities directly engaged in economic activity but also public institutions and individuals are directly subject to macroeconomic regulation and control. For example, all public institutions are subject to central government's macroeconomic regulation and control over group consumption and must accurately report their incomes and pay income tax as regulation prescribes.

3. The problems that macroeconomic regulation and control must resolve are major, national issues that affect the national economy or that are universal; for example, ensuring a rough balance between social supply and demand, stabilizing prices, ensuring stable economic growth, and, on this basis, improving the people's real standard of living and optimizing the sectoral composition of the economy.

4. We can choose from among a variety of control measures—administrative, economic, legal, or a combination thereof.

### **II. Problems Confronting Macroeconomic Regulation and Control at This Stage**

Tremendous change has occurred in macroeconomic regulation and control since reform began. We confront a series of new problems and must conscientiously study these problems so as to adopt new policy responses.

1. Major changes have occurred in the social economic environment and in the distribution of earnings that macroeconomic regulation and control confront: The social economic environment is growing ever more complex, and economic interests and incomes are diversifying. Since structural reform began, social economic relations were direct and clear, and economic interests

and incomes were simple. But the devolution of authority and granting of profit retention effected since reform have engendered great change in the distribution of earnings, a fact that is illustrated by the change that has occurred in social fund composition. Measured against state revenues, extrabudgetary earnings nationally rose from a level equal to 39.2 percent of state revenues during the Fifth 5-Year Plan to 74.5 percent during the Sixth 5-Year Plan and further climbed to 89.7 percent in 1987 and even higher, to 92.4 percent or 220 billion yuan, in 1988, an amount almost equal to state revenues. When we examine the situation from the perspective of the entire society, we discover the extent to which budgetary earnings have increased. Beyond the amount permitted by the Ministry of Finance, there is a tremendous additional pool of extrabudgetary funds. It is estimated that in 1988 society wielded a total of 1.2221 trillion yuan in funds, of which 452.1 billion were controlled by the state as budgetary or extrabudgetary; the remainder totaled more than 770 billion yuan, of which 60 percent were wages, bonuses, or individual consumption funds, and approximately 300 billion yuan were used for capital construction, production, and circulation.

The change in earnings distribution and the growing complexity of social economic relations have also been displayed in the changes that have occurred in the economic system. After rural reform began achieving preliminary success, urban reform was initiated and gradually adopted the approach of responsibility contracting employed in the countryside. Yet, because the urban economy is much more complicated than the rural economy and because a much wider range of problems is involved, urban reform cannot institute a uniform system and copy the approach of rural reform. Thus, great diversity has arisen, with some enterprises practicing contract management responsibility, others engaging in leasing, and still others implementing pilot tests of stock systems. Because the organizational systems differ, the methods employed vary, and great differences have arisen among enterprises and sectors. Meanwhile, many enterprise conglomerates and a variety of companies have emerged, and mergers have also occurred. In sum, the social economic environment that the macroeconomic regulation and control confronts today is much more complex than before the reform, and it is much more difficult to effect such control now.

2. As for the principal body of macroeconomic regulation and control, policies come from many departments, causing diffusion of authority and making the main body of macroeconomic regulation and control more pluralistic and scattered. The devolution of authority and granting of profit retention effected since reform began has caused a big change in the relations between the state and enterprises and dispersed macroeconomic regulation and control authority, and between the center and its departments and the center and the localities. Because macroeconomic regulation and control authority has

gravitated toward departments, the previous stress on balances in budgets, money supply and credit, foreign exchange, and producer goods and materials and on the overall balance predicated on these balances has so sharply slackened that agencies occasionally pursue different programs, and policy becomes uncoordinated. In addition, macroeconomic regulation and control authority has also been transferred downward to the localities, so much of the authority that had belonged to the central government has fallen to the localities. While this approach has helped to mobilize local enthusiasm, many shortcomings have arisen, the principal of which are that the central government's ability to effect macroeconomic regulation and control has weakened, regional differences have been accentuated, and markets are fragmenting, all of which ultimately are inimical to macroeconomic regulation and control.

3. In recent years, because there are all kinds of regulation and control measures, the effectiveness of macroeconomic regulation and control has weakened. After reform began, the previous reliance on administrative measures began to give way to greater stress on economic and legal measures, but we began to overemphasize indirect control and ignored direct control and administrative measures. Although economic and legal measures have begun to be stressed, they remain very imperfect and uncoordinated. For example, how can we use bank reserve readjustments and rediscount rates, open market operations, and other measures responsively to regulate credit volume? How can we use the lever of taxation to regulate the direction of investment and reduce investment volume? And in the area of legal measures, how can we formulate and implement a law governing investment so as to ensure that the state plan is carried out? And how can we formulate and implement a law that would ensure that the national economy continues to grow in stable fashion? These issues are a long way from being resolved, and there remain great limitations to the application of economic and legal measures.

The decline in the effectiveness of macroeconomic regulation and control also warrants careful attention. In recent years, government revenues, which serve as the foundation of macroeconomic regulation and control, have steadily declined relative to national income. In the 26 years through 1978, government revenues averaged 34.2 percent of national income, with the share in 1978 being 37.2 percent, whereas by 1987 it had fallen to 21.6 percent. Under these circumstances, the state has had to issue bank overdrafts and since 1980 has borrowed or overdrafted a cumulative total of 60 billion yuan. With budgets tight throughout the country, the central budget is in even greater difficulty, and after several years of authority devolution, centralized control over revenues has been broken, whereas there has been no commensurate change in central payment burdens. For example, in 1987 revenues directly organized by the center accounted for only 35.3 percent of all government revenues in the country, and local remittances accounted for only 13.2 percent, which amount was insufficient to

defray central subsidies and allocations to the localities. Not only has the center's payment burden not changed, the number of items calling for central outlays has steadily increased. Thus most government red ink is spilled by the center. The difficulty in reducing the center's deficit greatly limits the role of fiscal policy in and undermines the effectiveness of macroeconomic regulation and control.

4. As for the objects of macroeconomic regulation and control, they have put up resistance in recent years, namely, "when superiors issue policies, subordinates take countermeasures." Some localities and enterprises have exploited loopholes in central policy and acted selfishly, weakening macroeconomic regulation and control. In the effort to curtail fixed capital investment, for example, the State Council has repeatedly ordered localities conscientiously to weed out unnecessary projects and reduce investment, yet investment by some provinces still grows. According to statistics, during the first five months of 1989, 8 of 30 provinces, autonomous regions, and centrally administered municipalities increased their investment over the same period the previous year, by an average of 13.8 percent, with some provinces increasing local investment by as much as 25.3 percent. Localities and enterprises also commonly resist central tax policies, evading taxes with impunity. The resistance by the objects of macroeconomic regulation and control has severely reduced the effectiveness of macroeconomic regulation and control and made implementation of macroeconomic regulation and control measures very difficult during the new era.

### **III. Stress the Role of Regulation Through Planning and Strengthen and Improve Macroeconomic regulation and Control**

The occurrence of problems in the current stage of macroeconomic regulation and control is by no means accidental but is closely related to our handling of the relationship between planning and markets. This relationship has long been discussed, and we have made continuous theoretical breakthroughs concerning this in recent years. Nevertheless, there has been a tendency to exaggerate the regulatory role of markets. A decade of experience in reform and development shows that it is unrealistic for China to rely completely on market regulation. Socialism is planned commodity economy. We must stress the role of plan regulation and properly handle the relationship between planning and markets. This is the basis and ensures the success of the effort to strengthen and improve macroeconomic regulation and control.

1. To deal with the diversification of economic interests and incomes, we must establish the concept of planning for and make planning and macroeconomic regulation and control encompass all of society. The rapid increase in extrabudgetary funds and the diversification of economic interests and incomes invariably influences the behavior of major economic actors. If planning and macroeconomic regulation and control remain restricted

to budgeted items, extrabudgetary investment and consumption cannot be controlled as they should, which is bound to reduce overall the efficacy of macroeconomic regulation and control. One reason behind the sluggishness of the effort to curtail investment in capital construction has been the difficulty in cutting extrabudgetary investment. For example, although during the first five months of 1989 state budgeted investment in capital construction, renovation, and transformation projects declined by 19 percent from the same period a year ago, extrabudgetary investment fell by only 4.2 percent and, among the latter, self-raised and other funds dipped by only 1.2 percent. Thus, it is apparent that macroeconomic regulation and control has had little effect on extrabudgetary investment. Persistence of this state of affairs clearly is inimical to macroeconomic regulation and control. One way to change the situation is to have planning agencies at all levels stress the formulation and improvement of planning for the entire society and to draw all social activities into planning. Of course, the specific measures for plan regulation of different entities should vary. Some of the command plans that were abolished too soon should be revived. For example, such plans should be reinstated and monopoly effected for the production and supply of some important means of production.

2. To deal with the diffusion problem of the macroeconomic regulation and control authority, we should place special emphasis on implementation of plans to achieve overall balance and give full play to the coordinating role of overall planning agencies over functional departments. In handling the relationship between these agencies and departments, the full commission system currently practiced by the State Planning Commission is suited to actual conditions obtaining in China and should be improved so as to ensure implementation of state plans to achieve overall balance and coordination of macroeconomic regulation and control.

In addition, macroeconomic regulation and control should be concentrated in the hands of the central government. The primary duty of local governments should be to ensure implementation of central macroeconomic regulation and control policies and decrees in their respective regions. This is necessary so as to prevent dismemberment of the national market and to keep policy differences from exacerbating regional inequality. It is especially important that during retrenchment we concentrate macroeconomic regulation and control authority in the center and avoid decentralization and diffusion of that control.

3. In dealing with the weakening of the effectiveness of macroeconomic regulation and control, we should readjust the distribution of earnings and increase the share of government revenues in the national economy and central revenues relative to total government revenues. Increasing central revenues is required in order to strengthen macroeconomic regulation and control capability. Given the current situation, we might consider, as the first step, restoring the share of government revenues

relative to national income from the current 20 percent or so to the average that obtained during the 26 years up to and including 1978 (34.2 percent) and increasing the share of central revenues relative to all government revenues from the current 48 percent to 55 percent and, as the second step, continuing to increase these shares once the targets of the first step are attained. To achieve these objectives, we must restudy and consider the entire range of issues relating to central and local shares of revenues and expenditures, the tax collection system, and the like.

4. To deal with resistance by the objects of macroeconomic regulation and control, we should make planning more scientific and enhance its sanctity. As reform has progressed in recent years, the scope of command planning has progressively shrunk, while that of guidance planning has grown. Yet even the command plans that were retained have often proved truly difficult to achieve, and we still have not found an effective way by which to make guidance planning work. The plans of some localities frequently have become mere formalities and lack any ability to effect guidance. To eliminate "subordinate countering of superiors' policies," we should step up efforts to formulate, promulgate a law governing investment and place plan formulation and implementation on a legal track, and strengthen discipline. Local governments and enterprises all must conscientiously implement central macroeconomic regulation and control policy, orders and prohibitions must strictly be enforced, and we must resolutely eliminate the practice of overtly agreeing to but covertly opposing policies.

#### Enterprise Subsidies Discussed

*HK2004153090 Beijing JINGJI YANJIU in Chinese  
No 1, 20 Jan 90 pp 72-78*

[Article by Li Yang (2621 2254) of the Finance and Trade Economic Research Institute of the Social Sciences Academy of China: "An Economic Analysis of Enterprise Subsidies"]

[Text] The enterprise mentioned in this article refers to all economic units which take earning profits as the objective, engage in production and/or circulation activities, and carry out independent business accounting. Enterprise subsidies refer to noncompensatory outlay from state financial disbursements with the enterprise as the recipient. Based on this definition, all financial subsidy projects embodied in the statistics of the State Statistical Bureau, that is commodity prices subsidy, subsidy on losses incurred by enterprises, and tax exemption, may be classified as enterprise subsidies.

As in the case of the frequent nonunanimity between the taxpayer and the tax-bearer in indirect taxes resulting in the existence of the problem of the transfer and ultimate payment of tax, in enterprise subsidy the recipient in name and the recipient in fact are frequently different economic entities. In enterprise subsidy there is also the problem of shifting or transfer. In the course of this

shifting or transfer a series of economic activities are affected. The purpose of this article is to analyze these effects.

This article classifies commodity price subsidy, subsidy on losses incurred by enterprises, and tax-exemption as enterprise subsidies for the following three reasons: 1) Although these three kinds of subsidy are different in name, and possibly also in the causes of their generation, enterprises are the actual object of the subsidies. This fact provides an objective basis for classification. 2) The concept of economic analysis should be helpful in providing a unified analytical basis and setting up an analytical structure unanimous with economic theories to facilitate the deep-going study into their economic effects. As far as financial subsidies are concerned, which have many kinds of names, the raising of this concept is especially necessary. But the author, in using the concept of the category of price subsidy when analyzing financial subsidy, frequently felt himself floating away from the usual framework of economic analysis and found that the analysis could not penetrate. When changing to use other concepts of analysis, such as the four-link analysis and open and secret subsidy, the same problem was also met. Using enterprise subsidies to include the above-mentioned three types of subsidies can possibly improve the situation because, for example, we can easily join together subsidy with analysis of the enterprise's acts. Proceeding along this line of thought seems to yield promising prospects. 3) In another article by the author, it was pointed out that in the end the consumer is the recipient of the benefits of price subsidy.<sup>1</sup> There, the standpoint of the analysis was the actual beneficiary of the subsidy, whereas in this article the standpoint is the recipient in name of the subsidy. The two represent the inside and the outside respectively.

### **I. Does the Enterprise Receive Benefit From the Subsidy?**

Enterprise benefits enable the subsidy-receiving enterprises to obtain extra income outside its operational efforts. There is no question about their financial condition having been improved. However, improvement cannot explain the entire problem. Being enterprises, profitmaking is their principal objective. Besides, under the conditions of commodity economy enterprises, in their capacity as economic units in production and circulation, should obtain a portion of average profits. Whether or not average profits are obtained should be the principal criterion of whether or not the enterprises have received benefit from subsidy.

Whether or not enterprises obtain average profits, that is whether or not they realize the rights they should have in their capacity as commodity producers, and apart from whether or not they can obtain financial subsidy and how much financial subsidy they can obtain, is first of all determined by the position occupied by the prices of their input articles and the prices of their output products in their corresponding price systems. When we unite for consideration the subsidy received by the enterprises

and the prices of their input articles and output products, then the subsidy-receiving enterprise may be in one of the following three conditions: First, compensation of cost of production or obtaining slight profits; second, obtaining average profits; and third, obtaining excessive profits. Obviously, under the first two conditions the enterprise at the most realizes the rights it should realize in the capacity of a commodity producer and hence the role played by financial subsidy maintains the survival of these enterprises; under the last condition, in which the enterprise obtains an income which exceeds its rights, financial subsidy plays the role of facilitating and pushing the development of the enterprises. In other words, in the first two conditions, although the enterprises received a subsidy, because the prices of their products have been artificially kept down, or the prices of their input articles have been artificially kept up, the enterprises in reality have not benefitted. Only in the last condition can the enterprises be said to have benefitted.

In China, the role of subsidies for loss-incurring enterprises is very clear. They are used to sustain the survival of enterprises which, for policy reasons or poor and inadequate management, have suffered losses. Price subsidies are also like this and the reason for them is the existence of a differential because of the inverse setting of purchasing and marketing prices. The case of exemption from taxes is perhaps a little different. Among these, a large portion can enable the enterprises enjoying this treatment to obtain higher profits than ordinary enterprises. Nevertheless, a certain portion is for the purpose of replacing loss subsidies. Seen from this it may be said that as a whole, enterprise subsidy in China does not truly cause the enterprises to obtain real benefits and the role it has played is principally to sustain the survival of the enterprises and the significance of its pushing enterprises development is very small indeed. This is principally due to our price structure being relatively irrational and that the role played by financial subsidy here is mainly to rectify this price distortion. For this reason, financial subsidy in China is known as a measure to "fill crevices." The condition of financial subsidies in other socialist countries is substantially the same.

In Western countries, the role of enterprise subsidy is greatly different. For example, in Japan the government has always provided large amounts of financial subsidies to enterprises, but these subsidies have the purpose of implementing its industrial policies. According to the conclusion of Motoshige of Ito and other people, enterprise subsidies in Japan are principally used for four purposes<sup>2</sup>: 1) readjusting declining industries and providing subsidies for their suspension and closure to facilitate handling the problem of shifting their equipment; also providing subsidies for training employees of these industries and helping them to seek new employment; solving the depression problem in special localities, providing subsidies for renewing equipment in the industries, and promoting other industries to move into these localities; 2) promoting economic development, establishing the desired industrial and trading structures,

and providing development subsidies to those industries taking the lead; 3) rectifying market defects and deficiencies caused by technical development, news and information, risks and external uneconomic factors, and providing development subsidies to enterprises engaging in new technological development and developing foreign markets; and 4) transforming the internal organizational structure of certain industries or departments and providing industrial organizational readjustment subsidies to enterprises affected.

Countries in the EEC have also provided subsidies to enterprises. Their subsidies are mainly used in three ways<sup>3</sup>: 1) As readjustment subsidies for depressed industries and depressed localities; the purpose and subsidy form are copied from Japan; 2) as an investment stimulant, providing capital subsidies to investment enterprises or salary and wage subsidies to employees of these enterprises, to lower the investment cost; and 3) export subsidy, used to improve international balance of payments. In the United States the recipients of federal subsidies are mainly airline companies engaging in mail transport, railway companies and other public transport and communication facilities providing users with long-term tickets, farmers, and ship-building concerns. "The purpose being that when enterprises cannot provide the public with certain products or services at charges universally acceptable by the masses the government makes use of the subsidy method to enable the enterprises to do so at a profit"<sup>4</sup>. Comprehensively speaking, in companies with a developed market economy, enterprise subsidy has three special features: 1) it enables the enterprise "an opportunity to make profit," that is to truly receive benefit; 2) it enables the enterprise to operate normally and develop; and 3) when arranged and provided for enterprises in depression and in the service of certain industrial or social welfare policies, it has the purpose of causing the recipient enterprise to smoothly "close, suspend, merge, or shift to another profession" and generally not to play the role of maintaining the enterprise in depression to continue to subsist inefficiently.

Obviously, the role of enterprise subsidies in a socialist economy is greatly different from that in Western countries. The principal differences are the disparities in the economic systems and operational mechanisms.

In Western countries, the role of the law of value is fully displayed and hence financial subsidy is principally used to generate separation of price and value to effect the realization of certain social and economic objectives which the spontaneous role of the law of value cannot, or though able to do so yet requiring too high a social cost of production or too long a time. Also, because here the enterprises entirely take profitmaking as the target. If the government wishes the enterprises to act according to its wishes then it must offer some sort of "benefit" as attraction or bait. The opposite is true in a socialist economy. The law of value plays its role within the limit of a fixed scope and the corresponding price structure serving as the foundation for the law of value to play its role is seriously distorted. Hence the principal role of

financial subsidy is to rectify the distortion of the corresponding price structure and thereby to implement the law of value.

We shall see that precisely because the enterprise subsidy in our country basically cannot cause the enterprises to obtain any benefit, and that at most it enables enterprises to obtain the average profits, they should enjoy, the efficiency rate of our country's enterprise subsidy is low and its influences on economic operations and economic reform are not beneficial.

## II. The Efficiency of Enterprise Subsidy

The efficiency of enterprise subsidies can be analyzed from two angles: on the one hand we can note the economic acts by the enterprise and study what effects enterprise subsidies have on the enterprise's budgetary control and enthusiasm for production; on the other hand, we can note the allocation of resources and study whether or not enterprise subsidies help improve efficiency in allocation of resources.

If in reality enterprise subsidies only play the role of maintaining the enterprise's survival, then the enterprise' budget control will be weakened and it will be difficult to raise its production enthusiasm. The disadvantageous effects of providing enterprise subsidies to enterprises suffering losses through poor management are obvious and easily seen. Governments of socialist countries are not unaware of these problems. On the contrary, from government documents, economic writings, and scholastic contributions one hears the cries demanding an early reduction, as well as the complete abolition, of this type of subsidy. But facts reveal the opposite state of affairs: There is a tendency to gradually increase both the gross scale of subsidies given to enterprises incurring losses of an operational nature and the number of such enterprises concerned. There may be two possible causes for this: First, because of the existence of many defects in the economic system and the added confusion caused by introduction of the "dual structure," people have difficulty drawing a line of demarcation between "losses of an operational nature" and "losses of a policy nature." They have lost their standard of judgment while government finds it difficult to speak about the management condition of the enterprises and it is thus difficult to prevent inflation of this type of subsidy; second, another penetrating cause lies in that since in the property system ownership rights of enterprises is in reality in the hands of the government, when problems occur in enterprise management, it would be highly irrational for government not to extend a helping hand. Although economic reform has caused changes in the relationship between government and enterprise, up to now changes have, at the most, been related only to the form of their mutual dependence and the form of the government taking part in the management activities of the enterprises. The real essence in the form of the "father and son" relationship has still been maintained and it is precisely this relationship which has ordained

/that government inevitably will subsidize enterprises incurring losses of an operational nature.

Price subsidy and subsidies to enterprises for losses of a policy nature are different in certain aspects. For example, the former is generally given to circulation enterprises whereas the latter, generally to production enterprises. Beneficiaries of the former are principally the consumers while beneficiaries of the latter are principally the enterprises providing the input articles to the subsidized enterprises (when the prices of the input articles for the subsidized enterprises are artificially raised or when their quality is lower than the normal level) or the enterprises which take the output articles from the subsidized enterprises as input (when the prices of the output articles of the subsidized enterprises are artificially depressed). However, if seen from the direct cause of the formation of the subsidy they are all consequences of the irrationality of the corresponding price system. Moreover, devoid of subsidy, these enterprises will all suffer losses. Under such conditions, enterprise subsidies carry only the significance of rectifying the irrational differential between the purchase and market prices. Assuming that price losses incurred by enterprises can be fully made good by financial subsidies, what will the effect on the actions of the enterprises? First, their budgetary control cannot be rigid, because their survival and development do not rely on their own management efforts but seriously on government's price and subsidy policies. Second, as commodity producers, subsidy-receiving enterprises frequently do not obtain any real benefit from the subsidies. The scale of the subsidies provided to the enterprises may be very large in name but the great proportion only "pass" through the hands of the enterprises and those who really benefit and frequently the consumers and other enterprises which supply input articles to these enterprises, or those enterprises which use the products of these enterprises as input articles. Third, the production enthusiasm in subsidized enterprises has no possibility increasing because, under the fixed corresponding price structure, the enterprises have no way through their own management efforts of realizing their own profit target. If it is claimed that they still have certain other enthusiasm it will not, and cannot, be formed through readjusting the input and output and the kind of enthusiasm achieved from tapping hidden internal production potential. It can only be the kind of enthusiasm arising from demanding, complaining and hard bargaining with the relevant departments which decide on the prices of their input and output articles and which hold the power of deciding to grant subsidies.

This being the case in enterprises which require subsidies, what are the conditions in those enterprises which do not require subsidies? The present conditions in various socialist countries tell us that although these enterprises can make profits (sometimes rather high profits), they worry that there is the possibility of their profits being taken away in large quantity by government. The reason is not at all difficult to understand.

Since government needs to provide subsidies to enterprises incurring losses, there must be a source of income and if it does not resort to making loans or issuing banknotes, then the funds must be derived from imposing levies on enterprises making profits. The larger the scale of the subsidies, the larger will be the scale of making levy for funds from the profitmaking enterprises. In other words, with increases in the scale of subsidies government provides to enterprises incurring losses, there lurks the innate demand to increase the taxpaying burden of enterprises which make profits. A phenomenon of this kind may be aptly described as the effect of "whipping a fast-running ox." With the existence of an effect of this kind it will naturally be difficult for enterprises which make profits to generate enthusiasm to push production.

Loss-incurring enterprises can hardly hope to increase profits through devoting efforts to management. On the other hand, profit-making enterprises lack the positivism to push production. The overall result is a lowering of the production enthusiasm of the whole body of enterprises. The concrete manifestation of this is a lowering of the profit-rate of the whole body of enterprises. According to the ya ke erh nei (0068 4430 1422 1143) Survey, in Hungary, the more the subsidies to enterprises the lower was the profit level of the whole body of enterprises and, between financial subsidies and enterprise profits, there existed a fixed degree of negative relationship (see Table 1). This generally applies to the conditions in China.

**Table 1: Subsidies, Profits of State-run Enterprises in Hungary**

Year	Percentage of Original Profit (Note 1) Used By Subsidies	Relationship Coefficient Between Subsidies and Original Profit
1978	0.763	-0.66
1979	0.763	-0.59
1980	0.763	-0.59

Source of data: "Difficult Probings" by survey group on reform of China's Economic structure, JINGJI GUANLI Publishing House 1987 edition, p.85 diagram No. 3.

Note 1. "Original Profit" refers to profit without state subsidy and prior to taxation; roughly equivalent to "realized profit" in our country's statistics.

Enterprise subsidies which principally play the role of sustaining the enterprise's survival not only lower the economic efficiency of enterprises but also cause the social allocation of resources to deviate for a prolonged period from its strongest stage. The so-called best allocation of resources refers to the state of affairs whereby, a given resources utilization level and technical level, the economic benefits provided by resources given by society for whatever use to the end unit are quantitatively the same. If it is possible to use a portion of the profit rate to represent the allocation efficiency of resources for various uses, then the existence in economic society of a large portion of losses implies that the allocation efficiency of resources is not high. In the context of raising the efficiency rate, shifting the resources occupied by the loss-incurring portion to the



profit-making portion belongs in the realm of rational economic activities. However, enterprise subsidies impede this shifting process because they play the role of sustaining the survival of the enterprises incurring losses, whereas the fact that loss-incurring enterprises can survive for a prolonged period implies that too many resources have been allocated to uses that produce little or no profit.

The complex nature of the problem further lies in that in socialist economy, because of the serious distortion in the corresponding price system, a portion of the profit making rate frequently does not necessarily represent the allocation efficiency rate of resources for various uses. Under such a state of affairs, to judge whether or not allocation of resources has deviated from the best state is an extremely difficult matter. Examining whether or not a bottleneck exists in the chain of input and output may serve as a sort of judgement standard in replacement. If it is found that a supply-demand bottleneck does exist in society, then it may be assumed that resources allocation has not reached the best state. At such a time, shifting the resources to the bottleneck departments will raise the efficiency rate of resources allocation. But enterprise subsidies cannot display the role of pushing such a shift or transfer. The bottleneck departments may not necessarily be the departments which obtain financial subsidies and, besides, the profit-making level of these departments is frequently very low and far from capable of attracting the in-flow of resources; on the other hand, departments producing long-line goods, though incurring losses because of marketing difficulties precisely because of having frequently been the beneficiaries of financial subsidies, can still utilize large quantities of resources which are scarce and lacking, inefficiently and for long periods of time.

In short, enterprise subsidies to sustain survival play the role of making a fixture of the existing pattern of allocation of resources. They can impede the outflow of resources from enterprises with low efficiency rates and can also impede the inflow of resources to enterprises urgently needing great development. Speaking from this basic tendency, enterprise subsidies are a sort of policy measure which impedes improving the efficiency rate in the allocation of resources. In particular, this state of affairs is all the more so when the scale of enterprise subsidies is rather large, touches on a wide area, and is not accompanied by a relevant readjustment program. Economists in Hungary made a study of the homologous relationship between enterprise subsidy structure and the industrial structure. The study revealed that the major sequence in enterprise subsidies basically was precisely opposite to the priority development order in industrial development<sup>5</sup>: In China, we do not have the relevant data to study and hence making a correct conclusion is difficult. But, based on the fact that in recent years, concurrent with gradual increases in enterprise subsidies a steady deterioration occurred in the industrial structure, it may be said that the kind of situation appearing in Hungary has also existed in China in a serious state.

Speaking from theory and the successful experiences in certain countries, financial subsidies can be used to promote economic development and, using economic forces from the outside, to implement the industrial organization policy and stabilize the economy. Financial subsidies employed for these purposes are mostly supplied to the enterprises. To realize these targets, government financial subsidies should help in carving out a benefit pattern in the enterprises whereby enterprises requiring development can obtain benefits higher than the ordinary level, thereby developing activism for development. Furthermore, since this sort of enterprise benefit pattern harmonizes with the government's priority order arrangements for development, only when subsidies provided to depressed industries are principally for the facilitating the industries to take time in readjustment, can financial subsidies play the role of ameliorating the allocation of resources. In respect of this demand, it is feared that there is much irrationality in our country's enterprise subsidy.

### III. Influences of Enterprise Subsidies on Economic Reform

In economic reform, price reform occupies a predominant position and is one of the most important contents of economic reform. Other reforms nearly all need prices to make certain readjustments in coordination.

In price reform, be it price-adjusting or changing the price-fixing mechanism, the related price structure will be changed. Each and every readjustment of the related price structure will nearly always cause friction with interests on a society-wide scope. To ease contradictions and facilitate promoting price reform, government cannot but simultaneously adopt certain measures of a compensatory nature. Enterprise subsidies are compensatory measures most frequently used and most important. If we review the course of development of financial subsidies from insignificance to being noticeable, we can clearly see that each and every change in financial subsidies is related to price reform.

The fact that enterprise subsidies facilitate price reform is one aspect of their being beneficial to economic reform. However, with enterprises progressing day after day, and month after month, continuously inflating the scale and ceaselessly expanding the coverage, they will turn around and become an impediment to economic reform.

An increase in the proportion utilized by subsidy expenditures in the gross expenditures will, first of all, have the effect of expanding the coverage scope of nonmarket activities on the entire national economy. This runs contrary to the historical trend in the development of planned commodity economy. To explain this point, it is necessary to introduce two analytical concepts. To understand redistribution from the angle of whether or not financial expenditure obtains corresponding compensation, that is, whether or not it is in exchange for commodities and services, we may divide the whole of

financial redistribution activities into two large parts: "Redistribution of a market character" and "redistribution of a nonmarket character." The former refers to redistribution carried out by finance through purchasing commodities and services, expenditure of a compensatory character. The latter refers to redistribution which is not carried out through purchasing commodities and services, expenditure of a noncompensatory character (transfer character). In finance, between redistribution activities of a market character and redistribution activities of a non market character, there are three main demarcation points: 1) In redistribution activities of a market character, finance appears in the capacity of the party requiring the purchase of commodities and services and, through the demand for these commodities and services, influences supply-demand relations and market prices. Prices thus formed reflect the prices of supply-demand relations, are signals leading to the rational allocation of resources, and are the market yardstick causing the commodity producers to realize their own economic interests. In redistribution activities of a non market nature, finance either directly affects the income of the consumers and thereby eliminates the market yardstick by which commodity producers realize their own economic interests, or directly changes prices (through financial subsidies) and conceals the market supply-demand relations. So far as the latter role is concerned, with a definite scope and under definite restrictive conditions it may help government realize targets such as fostering and realizing the growth of the slanting type of national economy, the equitable distribution of national income, and so forth. But its wanton use may aggravate the imbalance in the supply and demand of certain commodities. In short, redistribution of a nonmarket nature weakens market effects on guiding resources allocation and distribution of the national income. 2) When enterprises develop relations with finance redistribution activities of a market nature, the principle of exchanges of equal value must be followed. The size of their benefits is determined solely by the differential between sales receipts and the cost of production and hence budgetary control is difficult. When enterprises develop relations with finance redistribution activities of a nonmarket nature, the problem of having to abide by the principle of exchanges of equal value does not arise. The size of their benefits is not determined by the differential between the sales income and the cost of production (as a matter of fact, there is absolutely no marketing to speak of on the part of the enterprises), but is solely determined by the size of the noncompensatory appropriation from government. Hence budgetary control is weak. In the redistribution activities of a market nature, government must also abide by the principle of exchanges of equal value. This portion of redistribution forms an effect-control on financial expenditure; In redistribution activities of a non market nature, financial expenditure has no clear and definite principle to follow. Because it is extremely difficult to do business accounting on the benefits of expenditure, the scale and structure of the expenditure is, to a large extent, determined by the conditions of

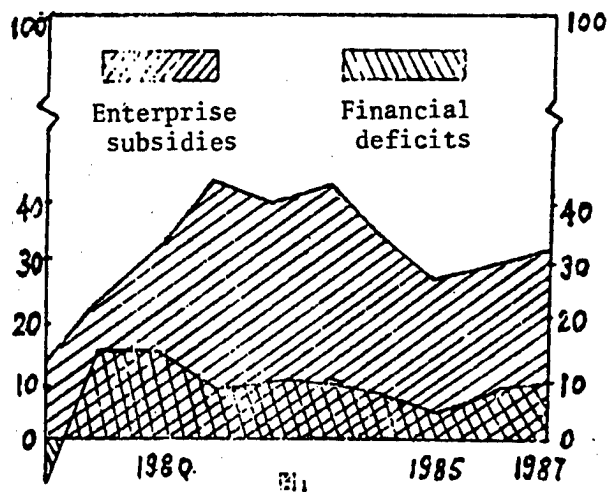
negotiations between government and the enterprises and consumers and between the central authorities and local governments and departments in charge. Hence, the effect-control of this portion of redistribution over expenditure is weak. Since redistribution of a nonmarket nature cuts down the market's regulatory role and weakens the enterprise's budgetary control and the control of effects on financial expenditure then, for financial subsidies, in the capacity of redistribution of a non market nature, to have its proportion of financial expenditure raised is an unfavorable factor impeding the development of socialist commodity economy.

The unbeneficial role of increasing financial subsidies on economic reform in socialist countries is further manifested in the retention, through the use of the flowery language of commodity economy, of the traditional big chronic disease of government using administrative measures to extensively participate and intervene in economic activities. Under the traditional structure, government administrative intervention in the economy is carried out by means of mandatory planning, unified distribution of resources, and capital funds. People have come to penetratingly understand its defects. The large-scale use of subsidy measures causes enterprises and government to fall into the mire of endless price negotiations, the essence of which is still government's administrative intervention in the economy. On this point, reformers in Hungary have directly called the market in which subsidies play an important role, the "administrative market," and expressed their deep concern over its rapid development. This is because in the "administrative market" environment, enterprise income is determined not only the prices but also by the amount of financial subsidy. This is disadvantageous to the enterprises changing from organs subservient to government administration to independent commodity producers and at the same time, causes the market's regulatory role (if any such role exists at all) to lose its effectiveness. So far as government is concerned, its burden of regulating socio-economic operations may in the short-term be lightened but in the long run it may become heavier daily, making it difficult to establish the normal order necessary for development of socialist commodity economy.

The daily expansion in the scale of enterprise subsidies, and subsequently in the gross scale of financial subsidies, may bring about a considerably tightened environment for economic reform. This is because enlargement of the scale of subsidies necessarily causes an increase in financial gross expenditures, which frequently leads to financial red figures. Diagram 1 below manifests the trend of changes in the proportions respectively of expenditures for enterprise subsidies and financial deficits in financial expenditures for the years 1978 to 1987 in our country<sup>6</sup>:

This diagram tells us that since 1978, the ratio of enterprise subsidies in gross financial expenditure has always been higher than the ratio of financial deficits in gross financial expenditure and, moreover, that the trend of the two ratios is basically the same. Based on this fact,

Diagram 1



to say that they have been the important cause of the financial deficits is without question. In China, both in the past and now, financial deficits have been the main important cause for currency inflation. Hence, enterprise subsidies followed by financial subsidies the ceaseless increases (through financial deficits) in enterprise subsidies followed by financial subsidies have been one of the important causes leading to currency inflation in China in recent years. In an environment of currency inflation, even a well-planned reform program can hardly produce results.

Financial subsidies of large amounts and various sorts and names not only cannot facilitate economic development and economic reform. They can also enable enterprises and departments enjoying subsidies to absorb financial funds, thus raising the income level of staff members and workers in their own units and seriously affecting implementation of the principle of distribution according to work. It has been quite customary for subsidized enterprises to use subsidy funds to pay salaries and wages, grant bonuses, build residences, and buy motor vehicles. In large units in the foreign trade, grain, and commercial sectors, the income level of their staff members, workers, and their welfare benefits have precisely ranked first among the various departments. Such a pattern of income allocation cannot lead to the rational allocation of our country labor force resources and is not conducive to reform of our country's income distribution system.

#### IV. Certain Conclusions and Recommendations

1. Seen from the partial and short-term viewpoints, enterprise subsidies of various sorts and categories are possibly of a rational nature. For example, because of the inverse purchasing and selling prices of agricultural

products the purchasing departments for agricultural products cannot but provide subsidies and this appears to be quite rational. It is also necessary to give subsidies to foreign trade departments because of the irrational exchange prices and the price differential between foreign and domestic products. And it is reasonable to grant loss subsidies to enterprises which cannot make ends meet. However, seen as a whole and from the long-term effects, an increase in the subsidy scale and its becoming more or less fixed and of a long-term nature, lowers the efficiency rate of economic operations on the one hand and impedes the process of economic reform on the other. The key point lies in that as a sort of irregularized policy measures, subsidies should play only a supplementary role in the state's system of adjusting and control measures. Long-term dependence on subsidies to solve problems such as the fundamental contradictions of price distortions and irrational enterprise systems cannot help in solving the contradictions and may also bring new disturbing factors to the economy.

2. Extension in the scale of enterprise subsidies in China and expansion of the areas they touch is a phenomenon that has appeared in the past 10 years. Seen from the direct causes, this is closely related to the various reform measures, particularly in price reform. But the deep-lying cause must be ascribed to the old structure being irrational. Precisely because of the irrational old structure reform has brought along many contradictions and, because of this, government cannot but make use of subsidies to ease these contradictions. Viewed in this context, expansion in the scale of subsidies and an increase in the number of subsidy items could possibly be unavoidable "sufferings" in the course of the reform.

3. The phenomena of expansion in the scale of subsidies, and the sharp widening of the scope of their coverage, have reflected the irrationality of the old structure and the friction between the new and old structures in the course of reform. Use of subsidies cures only the symptoms but basically the way out lies in deepening the economic reform. For example, one of the defects of enterprise subsidies in our country is that they do not stimulate enterprise development. The major cause is that they principally compensate the enterprise for losses incurred because of the irrationality of the relative price structure. The basic road to eliminating this defect and cutting down this type of subsidy (principally price subsidies and subsidies to enterprises for losses of a policy nature) is to speedily put in order the corresponding price structure. Another defect of enterprise subsidies is the protection of enterprises with low efficiency rates and, thereby, the lowering of the efficiency rate in the allocation of resources. The fundamental method of eliminating this defect and to cut down on this category of subsidies (principally subsidies to enterprises for losses of an operational nature) is to make a firm resolution to reform the enterprise system and rapidly and firmly arrange for the closure, suspension, amalgamation, and shifting to other lines of endeavor of these enterprises. At the same time, the building up of a

retraining system for staff members and workers must be built and a system for protection against unemployment set up, and so on.

4. Seen from technology and arrangements on a short-term basis, to control the over-inflation of subsidies and to remove their unbeneficial effects, it seems that the following may be considered: First, concurrent with strictly controlling the subsidized projects and their amounts vis-a-vis each and every item, relevant cancellation or arrangements should be made; that is, fixing the time limit of the subsidy and within the time limit the kind of relevant readjustment the enterprise should make. Second, coordinating with the progress of the reform the subsidies of certain existing enterprises should be gradually cancelled while certain others should be merged into other distribution categories, such as price subsidies may be gradually added onto the salaries and wages of the staff members and workers or be converted into the social protection or relief expenses applicable to the low-income group of people.

#### Footnotes

1. See JINGJI YANJIU No. 9, 1988.
2. "Japan's Industrial Policies," compiled by Ryutaro Komiya and others, International Culture Publishing Company, 1988 edition, Chapters 8, 13.
3. "European Industrial Public Policies and Companies' Strategies," (in English) compiled by A. Jie Kueiming (2638 1145 2494) and published by the Oxford Claralundo Publishing Press, 1984 edition, Chapter 3.
4. "Modern Economic Dictionary," principal editor D. Ge Lin Wo Erh De (2706 2651 3087 1422 1795), published by Commercial Press, 1981 edition, p 428.
5. "Statistical Yearbook, 1983," Central Statistical Bureau of Hungary, p 147.
6. In the diagram, enterprise subsidies include commodity price subsidies, enterprise loss subsidies, and tax exemptions; while financial deficits include receipts from loan services. Source of data: "China Statistical Year book 1988."

#### Freight Charges To Rise, Consumption Taxes To Fall

OW1503013790 Beijing XINHUA in English  
1100 GMT 14 Mar 90

[Text] Beijing, March 14 (XINHUA)—The Chinese Government announced here today that it will reduce the special consumption taxes on Chinese-made color TV sets and raise freight charges for railway, sea, and inland river transport from tomorrow.

An official of the State Administration of Commodity Prices said the taxes will drop from 300 to 400 yuan a set on average.

Analysts here say the move is intended to expand sales of color TV sets on the sluggish market.

According to the administration, prices of some refrigerators have also dropped in the past few months. The price of the Wanbao 158A model has been reduced from 2,000 yuan to 1,600 yuan.

In order to accelerate railway and communications development, the Government decided to raise freight charges from 2.1 cents per one ton/kilometer to 2.6 cents. Loading and unloading charges will be also raised at seaports and inland river ports.

However, freight charges for daily necessities such as meat, vegetables, oil, salt, and farming supplies will remain unchanged or only slightly increased in order to stabilize market prices and support agriculture.

The official said China will tighten control and management of commodity prices and prevent price hikes for other goods.

#### PROVINCIAL

#### New Open Trading Foreign Exchange Center in Fujian

90CE0175A Fuzhou FUJIAN RIBAO in Chinese  
16 Mar 90 p 1

[Article by Wang Bowei (3769 0130 0251) and Weng Xinhui (5040 2450 6540): "Open, Competitive Price Foreign Exchange Reallocation Instituted in Fujian. First Trans-regional Open Foreign Exchange Market in the Country Inaugurated in Fuzhou"]

[Text] On the morning of 15 March, the first provincial transregional open, competitive price foreign exchange reallocation market was formally inaugurated at Fuzhou. In the future, whenever Fujian Province enters the foreign exchange reallocation market, both sellers and buyers will meet directly to conclude deals openly at competitive prices.

The institution of open competitive price foreign exchange reallocation is a major action in the deepening of foreign exchange market reform. The province's inauguration of an open market for foreign exchange reallocation evoked an extremely strong response from financial circles, foreign trade units, and the three kinds of partially or wholly foreign-owned enterprises. Within only four minutes after competitive price trading began, 26 foreign exchange deals totaling \$10.53 million were transacted at 5.89 yuan per \$1.00.

Reportedly, the province can supply more than \$100 million of foreign exchange for reallocation. In order to advance the lateral financing of this amount of foreign exchange funds, after more than a year of deliberation and preparation, the provincial foreign exchange reallocation center founded the open foreign exchange market.

Currently the market provisionally conducts transactions each week, the frequency to be increased as future circumstances warrant.

Chen Zonglin [7115 1350 2621], the officer in charge of the Provincial Foreign Exchange Control Bureau, said that this open market has the following features: (1) it has a membership system in order to maintain foreign exchange market order; (2) its open competitive price trading increases market transparency; and (3) the market increases the central bank's centralized regulation and control capabilities. The unified participation in market competitive price trading of all prefectures and cities maintains open market prices, and destroys tendencies toward "compartmentation." It also helps regularize market behavior and promotes the building of clean government.

### Tasks Outlined For Maintenance of Price Stability

90CE0175B Fuzhou FUJIAN RIBAO in Chinese  
15 Mar 90 p 1

[Article by General Office, Provincial Price Commission: "Strict Control of Price Levels To Safeguard Overall Social Stability Is the Task That the Provincial Price Work Conference Sets"]

[Text] The recently concluded provincial price work conference set the basic task in price work in the province for 1990 as the following: Control of price levels in the deepening of price reform; readjustment of the price structure; and keeping prices orderly to improve price controls. Stability must be the watchword in strict control of the extent of price rises, strict control over chain reactions from price regulation, prices of daily necessities, the agricultural means of production, and continued practice of price control objective responsibility systems. These measures should be linked to "annual inspection and permit exchange" work, continued rectification of administrative and operating fee collections, strong crackdowns on price rises that are made to match price rises elsewhere, price rises that exceed authority, disguised price rises, and arbitrary collection of fees in the straightening out of intermediate links in the circulation of commodities. The limits of authority should also be strictly controlled, with continuation of the system of reporting and requesting approval before instituting price increases. In the raising of prices of nonstaple foods and industrial consumer goods used in daily life, which have a close bearing on the people's standard of living, control methods that limit the number of middlemen, the rate of consumption, and the differential should continue to be used to control a rise in price levels. State regulations should be followed with regard to the agricultural means of production, coal, and petroleum, effective monopoly and maximum price limit controls instituted for the perfection of monopoly and price limit control methods.

At the conference, provincial leaders issued prizes to 53 advanced workers in 30 collectives, and to 100 individuals advanced in conducting the three major checks in the provincial price system during 1989.

Deputy provincial governor Shi Xingmou [2457 1840 6180] delivered a major speech at the conference.

### Role of Individual, Private Economy Reaffirmed

90CE0175C Hangzhou ZHEJIANG RIBAO in Chinese  
30 Mar 90 p 1

[Article: "Steady Development of Province's Individual Economy and Private Economy in the Midst of Improvement the Economic Environment and Restructuring of the Economic Order"]

[Text] The province's individual worker force has stood the test of improvement of economic environment and restructuring of the economic order, and both the individual economy and the private economy remain stable in the midst of turmoil. During 1989, tax receipts from the individual and private economies, and from trade markets amounted to 1.05 billion yuan, up 30 percent from 1988.

At the first meeting of the Fifth Plenary Session of the Provincial Individual Workers Society, which opened yesterday, Deputy Provincial Governor Wang Zhonglu [3769 6988 7785] warmly affirmed the role of individual and private enterprises in the development of the province's economy. He called upon government at all levels to protect the legal rights and interests of individual workers, to halt arbitrary exactions, arbitrary collection of fees, and arbitrary fines, and to strictly investigate and punish those who violate the law and discipline, extortionists, and racketeers. He hoped that in the course of improving management, all levels of the individual workers society would actively help individual and private enterprises solve some real difficulties in production operations to create a fine business atmosphere.

Provincial Individual Workers Society director Cao Tiandian [2580 1131 3783] outlined work for 1990.

### Call for Continued Promotion of Contract System

90CE0175D Hangzhou ZHEJIANG RIBAO in Chinese  
28 Mar 90 p 1

[Article by Provincial System Reform Office: "Provincial Government Issues Notice Calling Upon Industrial Enterprises Under the System of Ownership by the Whole People Throughout the Province To Continue To Push Ahead With and Improve Contract Responsibility Systems"]

[Text] Several days ago, the provincial people's government issued a notice calling upon industrial enterprises under ownership of the whole people throughout the province to continue to push ahead with and perfect contract responsibility systems.

The notice said that the guiding thought in pushing ahead with and perfecting contract systems was concurrent concern for the interests of the state, enterprises, and staff members and workers. Provisions of laws such as the enterprise code should form the basis for generating stable policies, for promoting what is beneficial and removing what is harmful, for providing tailored guidance, and for making a greater contribution to advance the sustained, stable, and coordinated development of the province's economy.

The notice first called upon all enterprises to fully heed the views and the suggestions of staff member and worker representative assemblies, and of the broad mass of staff members and workers in accordance with pertinent provisions of the enterprise code before signing contract agreements. Enterprises should also set a limit on the period of the new round of contacts, usually at three years, but at five years under certain circumstances so as to permit a dovetailing of the Eight 5-Year Plan with major technological transformation work. In the case of enterprises earning miniscule profits or losing money, and a small number of production operations that are shaky or require readjustment in accordance with industrial policy, the contract period may be somewhat shorter. Individual enterprises in which contracting cannot be done should also institute plant manager term of office objective responsibility systems. Distribution of their profits should continue to be made using the method of distribution between the state and the enterprise used prior to the first round of contracting.

The notice provided that in principle the next round of contract base figures was to be dovetailed with the contract norms [not the achievements] of the final year of the previous period. In cases in which the previous period's contract base figures, rate of increase in profits, and the percentage of excess receipts divided up for tendering to the state were markedly low, or in cases in which technical transformation loans have been substantially repaid, and returns are already beginning to show, the base figures and the percentage paid the state may be appropriately readjusted upward. Enterprises requiring major support for development, much investment for technical transformation, or that have heavy liabilities should be shown appropriate consideration when setting contract base figures and increasing the rate of profits to be paid the state, as well as in setting the proportional distribution between the state and the enterprise.

The notice said that the new round of contracts encourages collective contracting or contracting by all personnel. Determination of managers should follow the principle of "emphasis on continuity with small readjustments." Those managers during the previous round of contracting who have not yet reached retirement age may continue to contract to operate collectives or to be member representatives. Where managers have to be replaced, they may be appointed, public tenders may be invited, or they may be democratically elected. The annual income of managers should generally be controlled at between one and two times higher than the

average annual per capita income [basic wage plus bonuses) of staff members and workers in the enterprise. Where their accomplishments are particularly outstanding, it should still not be more than three times greater.

By way of improving enterprises' risk mechanism and self-limitation mechanism, the notice called for enterprises to set aside a certain percentage out of after-tax profits each year for the building of an enterprise risk fund, which would ordinarily be used as circulating capital. When contracts cannot be fulfilled, it would be used to make up for enterprises' defaults in payments to the state. In enterprises in which benefits are linked to work, a wage reserve fund should be established to even out the earnings of staff members and workers between fat years and lean years.

The notice emphasized that contracting enterprises are to adhere to the plant manager responsibility system, improve political and ideological work and the building of spiritual civilization, and intensify democratic control. Enterprises having requisite conditions should actively employ "joint protection contracts" that provide support both ways, wholeheartedly relying on the broad masses and workers to run the enterprises. Governments at all levels are to strengthen leadership over the new round of contracting work, firmly establish a mentality of serving the enterprise, do all possible to provide fine external conditions for the enterprises, and diligently provide the various rights and benefits that the enterprise code confers. Overall units at all levels and units in charge of enterprises should cooperate closely to do a good job in surveying and studying, and in organizing and coordinating for aggressive implementation of the next round of contract work by enterprises.

## FOREIGN TRADE, INVESTMENT

### Perfecting Technology Import Legislation

90CE0138A Beijing GUOJI SHANGBAO in Chinese  
17 Mar 90 p 3

[Article by Guo Junxiu (6753 0193 4423)]

[Text] Although the PRC's technology import legislation has grown out of nothing and begun to take shape since the policy of opening up to the outside world went into effect in 1979, it is still far from suited to our technology import needs. The major current issues are that our lack of certain basic and necessary laws has left us with no reliable technology import legislation in certain areas, conflicts still existing among the laws and regulations that we have already enacted, and certain other legal provisions being hard to understand. Thus, I am making the following suggestions for perfecting our technology import laws.

**I. Certain Much-Needed Laws and Regulations Must Be Formulated To Perfect the PRC's Technology Import Legislation and Give Us Reliable Laws To Cover All Aspects of Technology Imports**

First, although the PRC has many special and specific technology import laws and regulations, as we still have no authoritative and comprehensive basic law and our various special regulations are neither coordinated nor systematic, a basic technology import law must be formulated. It should be published in legal form, and comprehensively stipulate the implications and forms of PRC technology imports, and the basic principles and major legal institutions of our technology import laws. Once it is published, all special technology import regulations must be revised according to it, in order to eliminate the conflicting points that exist in our technology import legislation.

Second, special regulations, such as currently much-needed laws to protect computer software and speed up technology digestion and assimilation, should be formulated to cover specific points of the basic law. The PRC's technology import laws provide for both patented and special technology imports and, in fact, also for computer software imports that lie between these two categories. As our current lack of a specific computer software protection law and the dissatisfaction with indirect protection by our trade mark and contract laws, have left foreign businessmen who want to export computer software to the PRC full of misgivings and hesitant to move forward, we are only going to be able to get foreign software companies to transfer possession of advanced software products to us by formulating a software protection law as quickly as possible. When formulating such a law for the PRC, we should consider using the experience of other countries for reference to directly enact a special software protection law based on the fact that we still have no copyright law. Our software protection law should cover software definition, limits, registration, application and transfer of possession, dispute settlement, and legal liability.

Third, in addition to having no software protection law, the PRC also has no copyright law, and many issues in technology imports involve copyrights. For instance, patent explanation documents, special technology data, and other technical data involved in the transfer of possession are all copyrighted "works." Generally, providers certainly do not intend to transfer the copyrights on this data to receivers. Instead, they insist on clearly stipulating in contracts that providers are to retain the copyrights and receivers are not allowed to copy the relevant data without authorization. Some companies that provide technical data even require that it be returned to them when contracts expire. Thus, as copyright protection for technical data is another key technology import issue, it will be necessary to formulate a copyright law as quickly as possible in order to perfect PRC technology import legislation.

Fourth, we must also formulate laws to speed up the digestion, assimilation, and development of imported technology, in order to make our technology import legislation complete. As the lack of provisions in our current technology import legislation to encourage the digestion, assimilation, and development of imported technology causes us to import low-level technology over and over, the state should formulate the following laws and regulations:

1. Laws and regulations to control the digestion, assimilation, and development of imported technology: Measures on how digestion, assimilation, and development can be carried out should be clearly stipulated in project feasibility research reports.
2. Related laws and regulations in areas, such as finance, prices, and tax collection, that contribute to the digestion and assimilation of imported technology: those who digest and assimilate imported technology should be allowed to keep special funds, or be granted loans on favorable terms.
3. Policies to protect products that are manufactured with imported technology: For instance, preferential pricing policies should be put into effect, in order to strictly control imports of the same type of goods and provide better market conditions for products that are manufactured with imported technology;
4. A system of rewards and penalties for enterprises that import technology, in order to eliminate the current short-term tendency of enterprises, caused by the seller's market, to neglect digestion, assimilation, and development.

**II. The Conflicting Points in Our Existing Technology Import Legislation Must Be Eliminated, and Certain Ambiguous and Vague Points Must Be Made More Explicit**

Our technology import legislation is not scientific enough, has no basic law to coordinate it, and contains conflicts. These conflicts exist both between laws and regulations, and also between national and local laws and regulations. For instance, the PRC's "Foreign Economic Contract Law" is inconsistent with our "Technology Import Contract Management Regulations" on the limits of the subjects of foreign economic contracts and technology import contracts. Technology import contracts are in the same category as foreign economic contracts. Although Article 2 of the PRC Foreign Economic Contract Law stipulates that only enterprises or other economic organizations can be the intermediaries in foreign economic contracts, and that individuals may not be the subjects of technology import contracts, our technology import regulations stipulate that Chinese individuals may be the subjects of technology import contracts, which obviously conflicts with the stipulation in the Foreign Economic Contract Law on such limits.



As our foreign economic relations and trade experience and common international practice both show that individuals can be the subjects of foreign economic relations and trade, our technology import regulations that allow individuals to be the subjects of technology import contracts are going to seem inappropriate until our Foreign Economic Contract Law is amended. However, as our Foreign Economic Contract Law is a law that was passed and issued by the Standing Committee of the National People's Congress, our legal principles make it more effective than our technology import regulations, which are administrative regulations that were issued by the State Council.

Our technology import legislation should also contain clear provisions on which industrial fields can import technology. The lack of provisions in our current legislation on the sphere of imported technology, has caused us to import less technology for production than for service, less advanced than ordinary technology, and less technology for developing power and transportation than for concentrating on output value and efficiency. Thus, our technology import legislation should contain clear provisions, based on our industrial policy, as to which industries may import technology on specific favorable terms, which industries may import technology without favorable terms, and which industries may not import technology at all.

### III. International Legislative Cooperation Must Be Actively Developed To Coordinate PRC Legislation with International Conventions

Since large-scale international technology transfers began in the 1960's, legislative debate in the field has become extremely bitter. Although the "Regulations on International Technology Transfers" (Draft) that are being drawn up by the U.N. Trade Development Council mainly for developing countries, have been under negotiation for seven years, during which time they have been revised many times, their outcome is still uncertain. A few developed countries, represented by the United States, have demanded unyieldingly that the GATT include articles on patent and copyright protection, which delegates from countries, such as Brazil and India, have opposed because of their possible impact on technology transfers. Developed and developing countries, as the major technology exporting and importing nations, respectively, have taken different stands and have serious differences of opinion on this legislative issue.

As a developing country, the PRC should clearly support the principled stand of developing countries, and firmly oppose the unreasonable demands of developed countries, which violate the principles of sovereignty and impartiality. Based on this, suited to our opening up to the outside world and technology import needs, and when we have acquired the appropriate technical prerequisites, we should take certain flexible steps to accede as much as possible to certain procedural treaties, such as

the "Patent Cooperation Regulations," the "International Patent Classification Accord," and the "Trade Mark Registration Pact."

### Sino-Hungarian Trade Agreement Signed

90CE0138B Beijing GUOJI SHANGBAO in Chinese  
29 Mar 90 p 1

[Article by Gu Naizhao (7357 0035 2507)]

[Text] The governments of the PRC and the Republic of Hungary signed a trade agreement in Beijing on 24 March 1990. Shen Jueren [3088 6030 0086], PRC Vice Minister of Foreign Economic Relations and Trade, and the Hungarian Ambassador to China, signed the protocol on behalf of their respective governments.

The agreement provides that, beginning on 1 January 1991, the PRC and Hungary will accord each other most-favored-nation treatment and change their method of settling trade accounts from charge accounts to cash exchange, with prices being set according to major international market prices.

The two parties unanimously felt that the signing of the agreement would further enhance the friendly cooperation between the PRC and Hungary, and speed up their long-range, steady development of bilateral trade, based on equality and mutual benefit.

In addition, an agreement on an exchange of notes between the ministries of trade from the PRC and Hungary on 1990 trade, was signed in Beijing at the same time.

## ECONOMIC ZONES

### Joint Venture To Build Overseas Village in Ningbo

90CE0179A Hangzhou ZHEJIANG RIBAO in Chinese  
14 Mar 90 p 1

[Article by Ningbo Correspondent Wang Liang (3769 0081): "Ningbo City Uses Foreign Capital To Build New Overseas Chinese Village"]

[Text] In order to optimize the investment climate, satisfy the demands of compatriots in Hong Kong and Macao as well as of overseas Chinese, and to advance Ningbo City's opening to the outside world, the first new overseas Chinese village, Gaotang Park New Village, is to be built. Its plan, the design for which the Architecture Design Institute of Shanghai's Tongji University won the tender, as well as its overall harmony, and exquisite ambience that lends a sense of lakes and rivers in open country yet has local character and contemporary features, with different grades and multiple styles of houses that offer a fairly wide choice have won the plaudits of builders, horticulturists, planners, and professors concerned.

Gaotang Park New Village was built by the Ningbo Municipal Real Estate Development Corporation, a joint venture real estate development company of leading Ningbo and Hong Kong businessmen. Construction investment totaled approximately 60 million yuan, 75 percent of which was put up by the Hong Kong businessmen. The entire project is to be built in two stages, and the first stage is to be completed in 1991.

### **Sole Proprietorships Increase in Zhuhai**

90CE0179B Guangzhou YANGCHENG WANBAO  
[YANGCHENG EVENING NEWS] in Chinese  
23 Mar 90 p 1

[Article by Correspondent Lin Dan (2651 0030) and Reporter Liang Jinyuan (2733 6930 3293): "Zhuhai Investment Climate Increasingly Mature"]

[Text] Some experts predict that during the 1990's independent proprietorship enterprises in Zhuhai's industry will become a force that cannot be ignored, and they may very possibly become the third leg of a tripod, the other two legs of which are joint venture cooperative enterprises, and enterprises devoted to "three forms of import processing and compensation trade."

There are good grounds for this prediction. During the investment craze in Zhuhai that ran from June 1989 to early 1990, sole proprietorship occupied the center of the stage. Prior to 1989, sole proprietorships in Zhuhai were only a rarity, but during 1989 the number increased to 45, and by February 1990 it increased again to 67. In early 1990, after conducting a survey of all of China's special economic zones and economic development zones, the Japanese Yoshino [0163 5174] Company selected Zhuhai for investment, investing \$20 million there. Some large American and Italian corporations also followed suit. Products concerned are toys, shoes, textiles, small hardware items, and electronic products at a fairly high level of technology. Reportedly, Zhuhai imported 11.5 percent more foreign capital during 1989 than in 1988, but actually the increase was due to the investment in sole proprietorship enterprises. The director of the Zhuhai Municipal Foreign Economic Relations Committee, Wang Mianquan [3769 4875 6898], said that there is bound to be a very great expansion in sole proprietorships during the coming years.

"Lots of orders;" "can't keep up." This is what the boss at virtually every sole proprietorship enterprise said to the visiting reporters, their faces all smiles. Smooth and unimpeded foreign sales avenues are a major characteristic of sole proprietorships, and with this comes sizable profits. This is one of the reason for the swift development of independent proprietorships. Seventy percent of the sole proprietorships that got an early start in Zhuhai have expended the scale of their production, increased the number of their production lines, and built new plant buildings.

The bosses of some sole proprietorships believe that Zhuhai is an ideal place to invest, but they like even better to go into Zhuhai as sole proprietors. The correspondents observed that they are afraid of getting into quarrels with cooperating partners, so they selected sole proprietorships. This is another reason for the rapid increase in sole proprietorships.

Still another foreign trader expressed deep satisfaction with both intangibles and tangibles in Zhuhai. He believed that the old method of binding oneself to a Chinese partner to "live or die together" because one did not understand China was not necessary.

The increase in foreign businessman sole proprietorships will become a trend. The surge into Zhuhai of large numbers of sole proprietorship enterprises marks Zhuhai's entry into a mature stage after having gone through the stages of "three forms of import processing and compensation trade," cooperation, and joint ventures. The tremendous increase in sole proprietorships will also invigorate and expand Zhuhai's economy. Over the long run, it may increase Zhuhai's name recognition.

Currently, Zhuhai City is concentrating on macroeconomic regulation and control to guide the direction of investment in sole proprietorships, and it is turning toward better management, toward perfecting the legal system, and the financial system to meet the new situation of steady development of sole proprietorships.

### **Results of Pilot Projects in Shenzhen Endorsed**

90CE0179C Guangzhou NANFANG RIBAO in Chinese  
26 Mar 90 p 1

[Article by Correspondent Zhang Ruxi (1728 1172 0823): "Seventy-seven Stock Share Companies Emerge in Shenzhen; Issue 286 Million Yuan Worth of Share Certificates; Economic Returns Universally Improved"]

[Text] Shenzhen City has actively and steadily pushed ahead with pilot projects for the reform of the enterprise stock share system, and today there are 77 stock share system companies there that have begun to show vitality.

Shenzhen City's 77 stock share enterprises are all made up of five or more shareholders. All of the net assets of the enterprises are divided into equal shares represented by share certificates. Shareholders bear limited responsibility to the corporations according to the number of shares they hold. Shares totaling 286 million yuan have been issued.

Shenzhen City began a pilot project on the stock share system in October 1986. Among the stock share system corporations that have been established, seven grew out of the transformation of state-owned and collective enterprises; the others are newly founded companies. Thirty-two of these are corporations in which shares have been purchased with state funds; 41 are capitalized by collectives or a combination of collectives and private enterprises; and another four are made up entirely

of privately held shares. In five of these stock share corporations, registered assets amount to more than 10 million yuan; between 3 and 10 million yuan in 10 corporations, and less than 3 million yuan in 62 corporations.

Economic returns from these stock-share ownership companies have universally improved. According to a survey done by units concerned of five representative enterprises, including Jintian and Wanke, comparison for the year following stock-share system reform with the period before reform shows tremendous increase in all economic indicators as follows; a doubling of output value, a 3.15-fold increase in profits, a 3.53 increase in taxes paid, a 21 percent increase in foreign exchange, a 44 percent increase in the assets profit rate, and an 87 percent increase in net assets.

Particularly encouraging is that stock-share system reform has begun to solve the shortcomings in the traditional system of lack of enterprise development for a long period of time, and confusion in financial management, with the establishment of new mechanisms for accumulation and supervision. A system in which production authority is vested in the state, and operating decision authority is passed to enterprises frequently results in a tilt of distributions toward consumption and a lagging increase in the value of state-owned assets. Following institution of the stock-share system, enterprises' after-tax profits are divided into a production development fund, a staff member and worker welfare and bonus fund, and a dividends fund. It is from expansion of the enterprise, increase in accumulations, and a rise in the value of capital stock that the shareholders benefit. Excessive emphasis on staff member and worker welfare and bonus payments is bound to produce stockholder dissent, thus producing an inherent self-limitation mechanism. The situation in five stock-share corporations, including Jintian, show that following institution of the stock-share system, fixed assets increased in value 1.55 fold on average, while the monthly wages of staff members and workers increased only 63 percent. Furthermore, because of the dispersal of stock certificates and their public ownership, financial management is also subject to the supervision of the broad masses of shareholders.

Shenzhen's reform of the enterprise stock-share system also opened new channels for the use of foreign capital. According to statistics, foreign capital equivalent to 70.71 million renminbi has been attracted in the form of share certificates, with numerous foreign traders exhibiting rather high enthusiasm for the purchase of share certificates in Shenzhen.

## LABOR

### Promising Prospects for Labor Export Viewed

90CE0042A Beijing JINGJI CANKAO in Chinese  
19 Mar 90 p 1

[Article by staff reporter Li Yafei (2621 0068 7236):  
"Great Potential and Broad Prospects for Labor  
Export"]

[Text] **Editor's Note:** With one-fifth of the world's population, China is very rich in human resources.

*Many countries and areas in the world are short of manpower and constantly calling for help. The United States needs tens of thousands of nurses; Hong Kong needs many skilled workers; West Germany wants nurses and housekeepers; Canada and Australia want farm workers...*

*In order to use China's labor resources more effectively and build a mighty labor force with Chinese characteristics, our reporters have conducted an investigation and study on China's labor export. They have summed up the views from various circles and experts and put forward their own ideas on how to promote labor export. Beginning today, we will publish the investigation reports one by one. It is our hope that our readers will also express their own views, comments, and suggestions so that a lively discussion can be started to pool the wisdom and ideas of everyone, tap the potential, and push China's labor export to a new level.*

*We will continue to publish studies and reports on this important subject. We hope that the departments concerned and interested readers will not miss them.*

Labor export is still a new business in China. Many things about it have yet to be learned, and there are still large areas of undeveloped virgin land.

The history of the international flow of labor force can be traced back to the early period of the development of capitalism. In the more than 400 years from Columbus' discovery of the "New World" and the beginning of large-scale migration of Europeans to America through the period after World War II, international labor export has followed a tortuous course, during which it has developed, faced restrictions, and prospered. Since the 1960's, international trade in labor services has grown continuously, at a rate faster than the growth of international commodity trade. In the past few years, the volume of international trade in labor services has reached \$600 billion a year, accounting for one-fourth of the world's total trade volume. Each year more than 20 million laborers moved from one country to another, forming a gigantic international labor market. Drawing support from this great market, many countries have achieved rapid economic development. According to statistics, the United States, the largest labor export country in the world today, earns more than \$150 billion from the labor trade each year. India received \$6.24 billion from labor remittances in 1982. Pakistan has earned more from labor export than from ordinary commodity export since 1982. South Korea has made developing labor export an important component of its economic strategy. From 1973 through 1982, South Koreans sent to work in foreign countries totaled 600,000, who earned nearly \$4 billion, the major source of South Korea's foreign exchange income during that period, contributing greatly to balancing the country's international payments.

Labor export has also enabled these countries to learn a great deal of advanced technology and management experience and train a large number of people into experts familiar with the international environment and international competition all for free.

China only recently began to export labor services mainly to the Middle East region. The Chinese workers are highly praised by the governments and people of Middle East countries for their spirit to bear hardships and hard work, their loyal and diligent work attitude, and their style of treating others as equals and observing law and discipline.

Judging by the capacity of the international labor market and what China can possibly supply, the prospects for China's labor export are very broad, and much can be accomplished.

At present, the capacity and demand of the international labor market are showing a rising trend. First of all, the industrially developed Western countries are faced with an increasingly serious problem of an aging population. As shown by statistics published by the European Economic Community, the 12 EEC member countries now have a total population of 321.5 million, which will drop to 315 million by 2025. There are now 43.1 million retired people who are 65 or older in the EEC member countries, and the number of old people will increase to 64.1 million by 2025. With a declining total population but a sharply increasing number of old people, it is estimated that by 2025 old people will make up 21 percent of the total population, and that, taking into account children and other nonable-bodied people, the labor force will make up only 41.2 percent of the total population. To varying degrees this social problem also exists in the northern European countries. The aging of the population will not only aggravate the present widespread labor shortage, but also require more and more workers to serve the old people, which will provide more job opportunities for foreign labor.

With their economic growth, the developed countries and the Middle East oil-producing countries will have an increasing demand for foreign laborers. At present, the industrial and mining enterprises in the Western countries are generally short of manual workers. In the economically developed countries, most people prefer the lighter and better-paid jobs and are generally not interested in physical labor, especially heavy, dirty work such as mining, cleaning, moving, odd jobs, and other service work. Even though there are still unemployed people in the Western countries, they would rather stay unemployed and receive social relief than doing those kinds of work, which are, therefore, generally taken up by foreigners. It is reported that in California alone, 250,000 agricultural workers are needed each year, but only 10 percent of that number can be found locally. The United States as a whole needs 500,000 agricultural workers and has to hire most from foreign countries. Japan's economy has grown quite rapidly, and there is an acute shortage of domestic labor. It is estimated that at

present Japan has a labor shortage of 2 million. As shown by relevant data, from January through October 1989, more than 200 factories in Japan were closed down because of the labor shortage, four times that in the same period a year ago. Although Japan has a strict protectionist labor policy, China still has sent laborers there.

The Soviet Union's labor market has great potentialities. The Soviet Union has a vast territory but a sparse population. It has a serious labor shortage plus a growing problem of an aging population. Its need for foreign laborers is showing a rising trend. So far, Cuba, Vietnam, Korea, and other countries have already provided more than 100,000 laborers to the Soviet Union. According to an estimate by a Soviet department concerned, the Soviet Union has a shortage of about 80 million workers for the development of Siberia and other areas. It is now recruiting workers in various countries and especially welcomes Chinese laborers.

The developing countries also have a growing need for foreign technical and service personnel. After winning political independence, the developing countries have a strong desire to develop their economy. But, owing to long colonial rule, these countries are relatively backward both economically and culturally, are acutely short of technicians and skilled workers, and will rely on foreign workers for a rather long period of time.

The international labor market has a very great capacity and very broad prospects for further development. Based on China's actual conditions, it is also possible for us to vigorously expand our labor export.

We have a population of more than 1.1 billion people. After 40 years of socialist construction, we have not only built a national economic system complete with iron and steel, machine-building, power, coal, textile, light, electronic, construction, aviation, space, atomic energy, instruments and meters, and other industries, but also developed a mighty and well-trained labor force.

At present, the international labor market is a buyers' market, and to a very large extent the labor competition is a matter of price. Even though our labor cost has gone up, and in ordinary labor prices we are gradually losing our edge over India, Pakistan, and other developing countries, in overall labor price, especially the price of technical services, we have an overwhelming advantage over the Western and other economically more developed countries in competition.

For more than 30 years, China has provided economic and technical assistance to many developing countries. We have not only built tens of thousands of development projects for the recipient countries, but also in our long foreign aid practice trained and tempered a large number of experts familiar with the international environment and operations. In the decade of opening to the outside world, we have through labor export trained many highly experienced and technically competent backbone workers. A labor force, including senior engineers, senior economists, accountants, designers, and all kinds of

professional engineering and technical personnel, management personnel, and skilled workers, is taking shape. So far, 86 international economic cooperation companies engaged in labor export have been established in China.

Opening to the outside world and invigorating the domestic economy is China's basic long-term national policy. The current economic reform will undoubtedly create more and better conditions for the development of our labor export. We should strive to develop and tap our country's great potential for labor export and turn it into an edge for the country.

### **Suggestions for Developing Labor Export**

90CE0091A Beijing JINGJI CANKAO in Chinese 21,  
22 Mar 90 p 1

[Article by staff reporter Li Yafei (2621 0068 7236): "Encouraging Labor Export Should Become a Major Basic Policy of the State—Suggestions by Relevant Departments and Experts "(Parts One and Two)"]

#### **[Part One—21 Mar 90 p 1]**

[Text] To develop labor export—this newly rising undertaking—and turn China into a major labor-exporting country, we must, in line with the trends of development on the international labor market and the problems existing in China's labor export, formulate a strategy, with distinctive Chinese features, for the development of labor export. To this end, relevant departments and experts suggest:

#### **Establish Long-Term Thinking and Make the Legal System Sound**

China's development of its export of labor to foreign countries is not an expedient measure, and it requires the formulation of a set of formal laws on labor cooperation with foreign countries. The banking, insurance, tax, customs, personnel departments, which are interrelated with it, should also establish sound corresponding laws and systems. At the same time, labor cooperation with foreign countries is a case of comprehensive exportation, and it involves all departments of the national economy. It requires the many-sided support and cooperation of the foreign affairs, foreign trade, banking, tax, and customs departments. Therefore, we suggest that there be set up an all-China leading group for the promotion of labor export; there be timely formulation and promulgation of the relevant principles, policies, and laws; and there be macroeconomic guidance and coordination in the work of labor export.

The majority of China's international economic cooperation companies that engage in labor export were transformed from the foreign aid organizations of the past. Their administrative and management systems basically follow the practice of many years in the past of providing economic aid to foreign countries. To different degrees they have the flavor of administrative departments, and

a considerable part of the foreign economic cooperation companies up to now are still in a state in which the government and the enterprise are inseparable. We must, through reform of the system, run the companies as economic entities that will become well-known in fact, widely implementing the administrative level contract economic system, the term goal responsibility system for managers stationed abroad, and other effective systems; we must simplify the procedures for examining and approving travel abroad; and we must encourage the enterprises to put into practice diversified economy with one trade made primary, and enhance their capability, on the international market, to meet emergencies. At the same time we must encourage all foreign economic cooperation companies to enhance lateral alliances, make optimum combinations, display strengths and avoid weaknesses, fully display each one's superiorities, strengthen competitiveness, and gradually move toward specialization and collectivization.

#### **Open Wide Information Sources and Reform Ways of Using Workers**

To overcome the present state of affairs in China in which the channels for information about labor export are narrow, the forces are scattered, and the information is ineffective, China should, on the foundation of the existing information sources, strive to open up and develop other information channels. For example, make use of intergovernment contacts, diplomacy, foreign trade, as well as overseas Chinese, foreign friends, foreign businessmen, friendship cities, international information organizations, and all the channels that can be used to expand the sources of information about China's labor export; and as fast as possible establish in China labor information centers that are responsible for the collection, processing, storage, and transmission of labor export information, thereby providing better information and advisory services for foreign economic cooperation companies.

We must reduce the intermediate layers in sending workers abroad and have the foreign economic cooperation companies directly invite applications by workers in the units that will send them. By reducing two or three intermediate layers, we can lower the labor cost by 15 to 20 percent. If we can gradually have the foreign economic cooperation companies directly invite applications by workers to go abroad, the labor cost can be lowered even further.

Change the practice of taking charge of everything and gradually put into effect the workers' foreign wage system. We must thoroughly extricate ourselves from the past practice of giving arbitrary treatment to foreign aid experts; break away from the habit of having the organization handle the "one big pot of food"; expand as fast as possible the proportion of distribution according to work; reduce the proportion of that part that is given average distribution; and put into effect the principle of linking the worker item to economic results.

Reform the system of using workers, and implement the practice of integrating temporary workers, contract workers, and staff and workers of enterprises under all-people ownership. We should, based on China's actual situation, adopt a system of using workers in which the worker ranks are jointly formed from the necessary technical backbone elements selected and sent by the unders under all-people ownership, and from contract workers or temporary workers in rural areas and in cities and towns who are invited to apply.

#### **Set Up Training Organizations and Stabilize the Backbone Ranks**

China should raise to a strategic height and take seriously the training of workers who go abroad. We suggest that a national labor training center be set up. It would be responsible for formulating training plans, in which stress would be put on foreign language and technical training, and for providing macroeconomic guidance, management, and coordination for training. In various places there should be set up training centers at different levels, forming a national training network.

Set up worker backbone personnel files and stabilize the backbone ranks. China has dispatched 350,000 person-times of workers, among whom had many able and efficient talents. All foreign economic cooperation companies should select from among their workers those whose political quality is good, who are in the prime of life, and who are technically proficient to be the backbone of the workers going abroad, and, in accordance with speciality and type of work, set up files on them. At the same time, from the workers newly added to the work force every year, train and select new backbone personnel to replace and replenish the worker backbone ranks. Some areas, departments, and enterprises where conditions are fairly good can be selected, and the necessary aid policies and preferential measures can be taken, so that they form key bases for labor export.

To stabilize the worker backbone ranks, we need to relieve them from the fear they have had when abroad for a long time of trouble back home, help them to solve their problems of having their wives and children accompany them abroad, of having their children attend school and obtain employment, of getting housing, and other actual difficulties.

#### **[Part Two—22 Mar 90 p 1]**

[Article by staff reporter Li Yafei: "Encouraging Labor Export Should Become a Major Basic Policy of the State—Suggestions by Relevant Departments and Experts (Part Two of Two Parts)"]

#### **[Text] Change the Export Structure and Develop New Domains**

China has not been engaged in labor export for a very long time, and now it has stopped at the ordinary labor export stage in which civil construction projects are made primary. We should overcome the drawbacks of

having a narrow field of vision and a single structure, and work hard to stride toward a diversified labor export structure.

In recent years China has sent ordinary workers like sanitation workers, porters, dockers, lumbermen, farm-workers, gardeners, and vegetable growers. In view of the fairly large capacity for ordinary workers in the Middle East and West European countries as well as the Soviet Union and other countries, from now on we should strive to open more channels and develop more trades and types of work.

Following the development of the industrially developed countries, there has been a tendency internationally for a big rise in the labor drawn into service industries. In recent years China has been making explorations and tests in this respect, sending to some countries cooks, restaurant waiters, and office functionaries. The potential in this respect is very large, and there are very many domains that need to be developed, like restaurant, shop, and household attendants.

There is a big demand on the international labor market for high-grade labor. We have the capability and conditions for gradually establishing a contingent of high-grade labor, and we should strive to develop the following domains:

**Provide guidance in enterprise management and production technology.** In the great number of developing countries there is a lack of managerial personnel and specialized technicians, and the demand for personnel in enterprise management and production technology is very big. We also have the capability to undertake tasks in this respect. For example, the production technology labor contracted to cement, textile, readymade clothing, children's clothing, and petroleum enterprises in Iraq has scored outstanding successes. The labor has earned the deep trust of the Iraqi side, and there has begun to appear a tendency for it to replace West European technical labor. China's capability and superiority in enterprise management and in production technology guidance displayed in Iraq will likewise be suitable for the great number of other developing countries. However, because they lack an understanding of China's capability and level in this respect, the production technology labor markets in the other countries have not yet been truly opened up. We should widely conduct publicity, look for and make use of every bit of time or space and all sorts of opportunities, make a breakthrough at one point and then gradually spread out, and strive to develop China's production enterprises' cooperation in technical labor abroad.

**Provide technical labor for maintenance.** The majority of the basic facilities project and production-type projects that the Middle East countries in the past invested several tens of billions of U.S. dollars to build, after a period of use, have entered the building and equipment maintenance period, and a large number of foreign technicians are needed to provide maintenance services

for them. At present Chinese companies are beginning to make explorations and tests in the domain of housing construction in the United Arab Emirates. From now on China should, through running abroad various types of maintenance service centers, or by directly dispatching various types of maintenance personnel and many other ways, vigorously open up and develop China's technical maintenance services abroad.

**Open up and develop advisory services.** China has just begun this kind of service abroad. From a look at China's actual strength, it certainly has the capability to initiate services in this respect. From 1983 to 1985 the China Railways Foreign Service Corporation sent a team composed of 34 experts to take part in the work of technical advice and supervision for Iraq's newly built high-speed railroad, winning the universal praise and respect of figures in all quarters. From now on China should set up various kinds of specialized foreign advisory companies, which will undertake project inspection, design, evaluation, construction supervision, personnel training, and various other kinds of advisory services.

**Provide computer software technical services.** In recent years the demand on the international software market for software personnel has been very big. According to a relevant survey, America is now short of nearly 1 million software personnel. Japan is short of more than 200,000 software personnel. The Federal Republic of Germany is short of 40,000 information specialists, equivalent to the number of graduates in the information specialty in FRD's higher schools over a period of 20 years. China already has a large contingent of software technicians and is constantly training talents in this field. It certainly has the conditions for establishing a Chinese contingent of international software technicians. China has now begun to send software personnel to Japan and America—this is a good beginning. We should get a tight grip on the opportune moments, open up more channels, and send more software personnel to the world's software markets.

**Develop the labor export of medical and public health personnel.** Over the past more than 20 years of foreign aid work, China has sent to the great number of Third World countries many medical teams and countless Chinese doctors and nurses. It has a medical and public health contingent suited to the international environment and with abundant forces. In particular, there is China's traditional art of healing, like acupuncture and moxibustion, massage, Chinese massage, qigong [a system of deep breathing exercises], and traditional Chinese medical treatment, all of which have been famous for a long time. Internationally there is a fairly big demand for China's medical and public health personnel. From now on China should, through various forms such as direct dispatch, independent venture, or joint venture, run Chinese clinics and hospitals, thereby expanding China's labor export of medical and public health personnel.

**Develop China's sophisticated technologies for use abroad.** China's satellite launch technology, atomic energy technology, and other relevant sophisticated technologies enjoy a fairly high international reputation. China has now signed satellite launch contracts with foreign countries. The international demand for satellite launch technology is growing day by day. China should make full use of its superiorities in certain sophisticated technological domains, and not lose the opportune moments for developing its sophisticated technological services abroad.

Providing in nongovernmental forms to foreign countries individual labor has many advantages and few disadvantages. To this end we must further remove all sorts of obstacles to the development of China's individual labor export. Except for the personnel whose outflow is controlled by the state, the remaining personnel should be given the freedom to come and go. In addition, we should permit foreign enterprises or labor intermediary organizations to come to China and set up administrative organizations. In accordance with China's laws and regulations, workers are invited to apply for work abroad. If the personnel thus employed do not fall within the scope of the state's controlled outflow, in general they should be given priority in the handling of procedures for going abroad, and encouraged to obtain employment abroad.

#### **Relationship of National Wage Bill to National Income**

90CE0068A Beijing JINGJI RIBAO in Chinese  
27 Mar 90 p 3

[Article by Lian Qin (4886 5355): "How To Evaluate Staff Member and Worker Wage Increases During 10 Years of Reform"]

[Text] China's total wage bill for staff members and workers was 56.89 billion yuan in 1978, and 231.62 billion yuan in 1988 for an annual increase of 15.1 percent. During the same period, national income increased from 301 billion yuan to 1.177 trillion yuan in an annual 14.6 percent increase. Speed of increase in the total staff member and worker wage bill was 0.5 percentage points greater than national income. Wages as a percentage of national income rose from 18.9 percent in 1978 to 19.7 percent in 1988 in a 0.8 percentage point increase. In 1989, the total wage bill for staff members and workers was 264 billion yuan, 14 percent more than in 1988; national income was 1.3228 trillion yuan, up 12.4 percent from 1988, the speed of increase in staff member and worker wages exceeding national income by 1.6 percentage points. Generally speaking, the speed of increase in staff member and worker wages was basically in tune with, but slightly ahead of, national income figured in terms of current year prices.

One reality—two conclusions. Some comrades suppose that an increase in staff member and worker wages basically in tune with national income is too fast, and that staff member and worker wage increases should be



slower than the speed of increase in national income. Other comrades do not make a deep analysis when refuting the above conclusion. They simply say that being basically in tune is normal. I maintain that the former position is not tenable, and that the latter position requires validation.

Judging whether the increase in income of some workers is or is not too fast requires taking a look at changes in the social labor structure. As some workers increase as a percentage of all workers in society, their income as a percentage of national income should increase as well. When national income is fixed, and the income of all workers in society is fixed, the number of some workers as a percentage of the number of all workers in society is bound to increase as well, because of shifts in the social workforce, and their total income is bound to increase correspondingly. The income of these workers as a percentage of national income rises, but this does not prove that the income of these workers increases too fast. In 1978, 23.6 percent of all workers in society were staff members and workers. This increased to 25 percent in 1988. If changes in the workforce structure are ruled out, in 1988, wages paid staff members and workers amounted to 18.5 percent of national income. This percentage did not at all exceed the percentage for 1978.

Among workers in society, the income of no group of workers should increase at an equal speed. In judging whether the increase in income of a group of workers is inappropriate, one has to compare the increase with the contribution to society. When the contribution to society of a group of workers increases fairly rapidly, it is only normal for this group's income to increase in tune with or slightly faster than national income. From 1978 through 1988, staff member and worker real wages increased an average 4.2 percent per year, and the labor productivity rate of all personnel in nonagricultural material production units increased by an annual 5.2 percent, the ratio between the speed of increase of the two being 1:0.8. During the same period, the labor productivity rate of all personnel in industries owned by the whole people increased an average five percent annually. The ratio to the speed of increase in real wages of staff members and workers was 1:0.84. During this same period, the labor productivity rate for all personnel in terms of net output value for industries owned by the whole people averaged 5.6 percent annually. The ratio to the speed of increase in real wages of staff members and workers was 1:0.75. In 1989, the per capita wage of staff members and workers was 1,950 yuan. After deducting for the rise in costs of things used in the daily life of staff members and workers in 1989, actual wages averaged 1,677 yuan, down four percent from 1988. However, the labor productivity rate of workers in industries owned by the whole people was 18,916 yuan, up 1.6 percent from 1988. The speed of increase in the average wage of staff members and workers was slower than the speed of increase in the labor productivity rate, showing a rise in economic benefits from staff member and worker wages, the contribution to society increasing for each yuan of wages received.

At constant 1980 prices, national income between 1979 and 1988 increased from 323.9 billion yuan to 782.2 billion yuan in an average annual 9.2 percent rise. Staff member and worker nominal wages increased 5.9 percentage points faster than the actual speed of increase in national income. Some comrades use this to prove that staff member and worker wages increased too fast, thereby driving price rises. Some comrades argue that the speed of increase of nominal wages cannot be compared with the speed of increase in national income figured in terms of constant prices. I maintain that the speed of increase in nominal wages can be compared with the speed of increase in national income calculated in terms of constant prices. The foregoing example shows that money paid in the form of wages exceeded economic growth; however, this does not prove that consumption demand inflation was caused by too rapid increase in the wages of staff members and workers. In 1978, the national income consumption rate was 63.5 percent. In 1988, it was 65.9 percent for a 2.4 percentage point increase in 10 years. Wages as a percentage of the national income consumption figure stood at 30.1 percent in 1978, and 29.1 percent in 1988 for a one percentage point drop. So long as national income is increasing steadily, the supply of consumer goods is increasing, and wages as a form of consumption demand are declining in proportion to consumer goods supply, how can one say that wage increases drive the inflation of consumption demand? If price increase factors during this period are deducted, staff member and workers wages increased by an average eight percent per year, 1.2 percentage points lower than the speed of increase in national income. Calculated at comparable prices, national income increased 3.5 percent in 1989, and the nominal total wage bill increased 14 percent producing what might be termed a wide gap. However, if price rise factors are deducted, the staff member and worker total wage bill declined two percent. To require the speed of increase in the total nominal wage bill for staff members and workers to be slower than the speed of real increase in national income is extraordinarily absurd. Calculated at constant prices, national income grew 8.7 percent per year during the period 1978 through 1989. If the nominal total wage bill increased eight percent per year, the actual total wage bill increased only 0.6 percent per year. Since there was a 45 percent increase in the number of staff members and workers, real per capita wages of staff members and workers declined 28 percent. The facts show that the increase in the nominal wages of staff members and workers at a speed greater than the real speed of increase of national income was attributable primarily to the pull of price rises, and that the driving of staff member and worker wage increases by price rises was a secondary consideration.

Problems with the wages of staff members and workers in China are not in the total amount, but in certain parts. Work is not properly tied to accomplishment, and respective trades in different enterprises do not equally share weal and woe. The problem of small wages and large welfare benefits is becoming increasingly serious.

In addition to welfare subsidies, quite a few units hand out money and goods right and left in the name of welfare. Staff member and worker income from other than wages is increasing more and more. The handing out of subsidies and bonuses right and left without regard for national regulations is rather common. Calculations show state-owned enterprise dishing out of money and goods to staff members and workers amounts to between 15 and 20 percent of staff member and worker wages, and this same situation of indiscriminate issuance of goods and money also exists in collective enterprises. Such pointless disbursements amount to approximately 50 billion yuan for the year. These disbursements increase consumption demand, but they do not increase social supply. Instead they are an important source of currency inflation.

During the period of improving the economic environment and restructuring the economic order, consumption demand has to be curtailed, but staff member and worker wages cannot be blindly curtailed. Staff member and worker real per capita wages increased only 0.96 percent each year during the period 1986-1989, and they declined for two years in a row during 1988 and 1989. Our strategy on staff member and worker wages should be to open the "front door" and normal channels for wage increases, while blocking the "rear door," halting the handing out of money and goods in violation of the law and discipline. Doing this requires attention to the following several points:

1. Strict enforcement of price plans, making them scientific at the same time in order to halt heedless increases in wage funds. In addition, planned, proportional increases in wages should be instituted. When economic planning is done each year, wage increase plans must be drawn up at the same time to maintain a rational proportional correlation between wage increases and national economic development.

2. Further improvement and perfection of methods for linking wages and accomplishments. Base figures for such a link should not be too low; the ratio between wages and accomplishments should be sensibly readjusted, more than a single criterion used in making the link, which should fully reflect enterprises' economic returns. Standards for profit rates on capital in enterprises should be gradually established. Enterprises' profit rates on capital should be used in evaluating enterprises' economic returns, and industry-wide average profit rates on capital should be compared in order to moderate the problem of an unequal sharing of weal and woe between one enterprise and another, and within any given industry. The point at which bonus taxes and wage readjustment taxes begin to be levied, as well as applicable tax rates should be equitably readjusted, and taxes rigorously collected in order to hold down too high wages in some enterprises.

3. Wage payments should be made on the basis of economic returns; the "large common pot" method of

distribution in which everyone gets a share being abolished. Welfare payments should be properly reduced and wage payments increased. Standard proportions should be set for staff member and worker income in the form of wages, bonuses, subsidies, and welfare services. Wage funds should be better controlled. Enterprises, institutions, public offices, and groups must strictly enforce the state financial system, going beyond state-prescribed limits and standards in issuance of money and material goods to staff members and workers prohibited.

4. Control should be tightened over staff member and worker hidden income, including staff member and worker income from a second job, income received from benefits accruing to a unit, income received from the re-employment of separated or retired personnel. Illegal income should be outlawed, mixed up procedures should be straightened out, and overly high income should be regulated through the use of administrative and economic measures.

## AGRICULTURE

### Shanxi Governor Discusses Water Shortage Problem

90CE0162A Beijing ZHONGGUO SHUILI [CHINESE WATER CONSERVANCY] in Chinese  
No 3, 15 Mar 90 pp 23-24

[Article by Shanxi Governor Wang Senhao (3769 2773 3185): "Taking Comprehensive Measures To Solve the Problem of Shanxi's Shortage of Water Resources"]

[Text] Shanxi is China's energy industry, heavy industry, and chemical industry base, and in the entire national economic construction it occupies an extremely important position. Because Shanxi is located on a loess plateau, its water resources are extremely poor, and the large-scale exploitation of energy sources has made the problem of Shanxi's shortage of water resources more serious, becoming a major restricting factor on Shanxi's economic development.

Shanxi's shortage of water resources is, first of all, a congenital deficiency. In Shanxi, 9 out of 10 years are drought years. Rainfall is at a minimum and evaporation is at a maximum. The per capita water resources in Shanxi is only 573 cubic meters, 19 percent of the average level for China as a whole; per mu it is only 241 cubic meters, 17 percent of the average level for China as a whole. Also, the distribution of water resources is not balanced: 60 percent of the total amount is in high mountains and deep valleys, and in the eastern and western mountain areas, where development is difficult. In the province as a whole, there is a spring water outflow of 2.68 billion cubic meters but 1 billion cubic meters flows out adjacent to the provincial borders. Because of the damage done by coal mining to the underground aquifer, a funnel, with coal as its center, through which underground water falls have been formed, drying up wells and reducing water resources.

Following the development of industry, water pollution is becoming more serious daily. The present water conservancy projects have aged and have fallen into disrepair, benefits have been attenuated, and the water supply capacity of the province as a whole has fallen from an average of 6.36 billion cubic meters in the seventies to a little over 5 billion cubic meters.

The contradiction between supply and demand in Shanxi's water is sharpening day by day. At present, for water used by the province's industry and agriculture and by the life of the urban and rural people, 6.5 to 7.4 billion cubic meters are needed every year, and the present water-supply capacity is only a little over 5 billion cubic meters. In recent years industry has squeezed out agriculture in the daily increasing use of water, and in the cities measures to limit the quantity of water supplied have had to be taken. According to a forecast, by the year 2000 the water supply shortfall in the province as a whole will reach 3.8 billion cubic meters. The contradiction between supply and demand is even more prominent in the Taiyuan, Datong, and Pingshuo areas.

The party Central Committee and the State Council are showing much solicitude for Shanxi's problem of a shortage in water resources. When Li Peng, Wan Li [8001 6849], Li Ruihuan [2621 3843 3883], and other central leaders came to Shanxi to observe the situation, they promptly issued instructions, and the Ministry of Water Resources has on many occasions given specific guidance and help. In 1982 and 1987 the Ministry of Water Resources and our province jointly held a Shanxi provincial meeting on the evaluation of water resources and a provincial discussion meeting on comprehensive countermeasures against the water resource shortage, which made many suggestions and came up with many countermeasures for solving our province's problem of a water resources shortage.

Shanxi's provincial party committee and provincial government attach great importance to the solution of the problem of the province's water resources shortage, and have taken a series of measures regarding it. They have promulgated regulations on water resources management to strengthen this management, done their best to increase revenue for enhancing the development and use of water resources, and in city and countryside have vigorously promoted measures for economizing on water. However, Shanxi's problem has not yet been fundamentally solved.

Focusing on the characteristics of Shanxi's water resources, and summing up the practical experiences in water conservancy construction and management in these years, to solve Shanxi's problem of water resources shortage we decided on a policy of "comprehensive reduction in flow, rational use, active opening up of resources, and strengthening of the protection and management of water resources."

First, we made economizing on water the key point to grasp in alleviating the contradiction between supply and demand. In the past several years Shanxi has done a lot of work on economizing on water and has obtained certain results. Industry's ten thousand yuan output value consumption of water and agriculture's mu-times irrigation water use have both fallen. The potential in this respect is still very large. From now on, in the water use by industry and cities, we must continue to insist on the collection of water use fees and water resources fees, formulate measures for awards and penalties, and an over-plan water use progressive added value laws in order to promote economizing on water. In the agricultural aspect, we must, through optimum water allocation, prevent seepage in water-transmission channels, level fields and land, mark off small rectangular pieces of land in a field, and other measures, such as to vigorously popularize irrigation technologies that economize on water. At the same time we must vigorously improve the industrial structure and the industrial layout, build factories near water, and make full use of the relatively abundant water resources in the eastern and western sides of Shanxi to lighten the pressure on water supply in the "belly" region.

Second, accelerate the pace of sewage treatment. This has extremely important significance for insuring the people's health and for mitigating Shanxi's water supply contradiction. According to a forecast, after Shanxi entered the nineties the amount of annual sewage effluent will be nearly 800 million tons. The task of treating it is very large and its potential for use is also very large. We must adopt the method of combining dispersed treatment with concentrated treatment and of integrating treatment and reuse, thereby vigorously effecting comprehensive treatment. We must get a tight grip on the construction of a number of backbone sewage treatment plants in Taiyuan, Datong, and other cities with a serious water shortage.

Third, get a tight grip on the reconditioning of complete sets and the renewal and transformation of existing water supply projects. Through reconditioning, reinforcing, forming complete sets, renewal and transformation, strengthening of management, and other means, the water supply effect of existing water resources projects will be fully displayed. We must reinforce epidemic-risk reservoirs to eliminate this risk and improve their flood prevention storage-regulation capability, get a tight grip on the renewal and transformation of the existing electromechanical pumping stations and wells, and improve their water supply efficiency. In addition, we must comprehensively form into complete sets fields, canals, roads, and forests in irrigation districts in order to improve the results in irrigation of economizing on water.

Fourth, on the principle of internal storage and external replenishment, we must build a number of backbone water resources projects. Within Shanxi's borders now, the water resources exploitation rate is 59 percent, much higher than the average level of 18 percent in the country

as a whole. Therefore, drawing in water from the Huanghe River is the indispensable way for solving Shanxi's problem of water resources shortage. To this end Shanxi has made preparations for many years. The work in the early stage is basically in order, and once the projects are approved we can start their construction. In addition, to insure that Taiyuan City has enough water for industry and life and that the central-south part of Shanxi has enough water for farmland irrigation, we must as soon as possible build the Fenhe River No 2 Reservoir and the nearby Fenhe-Bihe Rivers Irrigation District.

Fifth, strengthen the unified management and protection of water resources. We must resolutely and thoroughly implement the "Water Law," make laws to harness water and with laws bring forth water. With regard to the exploitation and use of water resources, we must strengthen and unify plans, make rational distribution, strictly prohibit irresponsible exploitation and use, and prevent damage to water resources. With regard to areas where underground descending funnels have already been formed, we must strictly control exploitation, take measures by projects and their effective management, and gradually achieve a balance between replenishment and exploitation. We must strengthen the protection of water areas and water projects, preventing pollution and damage to them.

#### **Jiangsu Rural Savings**

40060048B Nanjing XINHUA RIBAO in Chinese  
10 Apr 90 p 1

[Summary] As of 31 March, rural saving deposits in Jiangsu Province totaled 20.037 billion yuan, an increase of 3.047 billion yuan, or 17.9 percent, over the beginning of 1990. Rural per capita savings increased from 324.25 yuan in 1989 to 382.38 yuan. In the first half of the year, rural loans increased by 3 billion yuan.

#### **Anhui Livestock Production**

40060048A Hefei ANHUI RIBAO in Chinese  
12 Apr 90 p 2

[Summary] In the first quarter of 1990, Anhui Province removed 3,542,000 hogs from stock, an 8.7 percent increase over the same period in 1989; the number of hogs in stock totaled 11,491,000, a 1.7 percent increase; but the number of fertile sows totaled 737,000, a decrease of 22,000 or 2.9 percent. In the first quarter, 291,000 cows were sold and slaughtered, a 30.5 percent increase over the same period in 1989; and 1,242,000 sheep were removed from stock, a 7.2 percent increase.

#### **National Flue-cured Tobacco Area**

40060048D Beijing NONGMIN RIBAO in Chinese  
12 Apr 90 p 1

[Summary] The area sown to flue-cured tobacco will be about 20,960,000 mu, and gross output will be about 140,000 tons.

#### **Increased Soybean, Sunflowerseed Procurement Prices**

40060048C Harbin HEILONGJIANG JINGJIBAO in Chinese  
18 Apr 90 p 1

[Summary] Heilongjiang Province will increase the procurement price for soybeans from 69 yuan to 90 yuan per 100 kilograms; ordinary sunflowerseeds from 83.2 yuan to 111.6 yuan; sunflowerseeds used for oil from 96 yuan to 145 yuan; soybean oil 330 yuan to 430 yuan; and sunflower oil 274 yuan to 343 yuan. The new procurement prices will take effect on 1 October within Heilongjiang and 1 April for inter-provincial trade.

#### **Water Problems in Henan Viewed**

HK0705015590 Beijing RENMIN RIBAO in Chinese  
18 Apr 90 p 5

[Article by Cheng Weigao (4453 4850 7559): "Give Priority To Solving the Problem of Water in Developing Agriculture and Strengthening the Foundation"]

[Text] As governor of the agricultural province of Henan, there is no bigger headache than "water." When I first arrived in Henan to assume the governorship in July 1987, the province was engrossed in flood prevention. The whole province acted as though their arch-enemy were at their door, and the atmosphere was extremely tense. From 5 July to 28 August, there were five consecutive rainstorms in Xinyang Prefecture. Torrents of water gushed down the mountains to the plains. A total of 4.6 million mu of fields were flooded, 54,000 houses collapsed, and 61 persons were killed in the floods. The provincial party committee and the provincial government sent team after team of workers to provide disaster relief. As the waterlogged areas were drained, serious droughts began in the northern and central part of the province. Therefore, people were mobilized to combat the droughts and protect autumn harvests. After the autumn harvests, people had to continually carry out anti-drought measures. They had to fight the drought to sow and water the wheat, and they could not rest even after the spring festival. After the wheat was harvested, people had to fight the drought again for the autumn sowing and then for the protection of seedlings. At the same time, "emergency reports" of water shortages in industry and city life were relayed frequently.

In the past, I was not deeply involved in water problems. Over a long period of time, I was engaged in industrial and city work in Jiangsu. In that province, the rivers surged. Apart from the tense high-water season, water did not seem to be a major concern as long as funds were allocated to divert the floods properly. The circumstances in Henan are radically different. Henan is situated in the climatic transitional zone between the south and north, and the province's rainfall is affected by monsoons. Drastic climatic changes take place throughout each year. Over many years, rainfall recorded in the whole province has averaged some 800

mm, 60 to 70 percent of which occurs during the flood season. There is very little rain in nonflood seasons. Rainfall recorded in years of abundant rain is three to four times that of drought years. Henan spans the four major water systems of the Chang Jiang, Huai He, Huang He and Hai He. The western and southern parts of the province are mountainous areas, and the transitional zone from the mountainous areas to the plains is very narrow. When rainstorms occur, overwhelming amounts of rain water pour down from the mountains, and the rivers on the plains cannot drain the water quickly enough. This has often resulted in extensive flooding, which endangers people and property. Once the rainy season has passed, the rivers become very low, many brooks stop flowing, and drought occurs. One striking feature of Henan's natural environment is summarized by "Heavy rainfall brings serious disasters, little rainfall brings small disasters, the absence of rainfall brings drought."

Henan's water crisis is also characterized by an acute lack and uneven distribution of water resources. The annual total volume of water resources in the province is 41.3 billion cubic meters, which ranks it 19th in the country. The average volume of water per person and per mu is merely one-sixth of the national standard. Agriculture in the north, central part, and east relies mainly on underground water situated at shallow levels.

Over-exploitation over a long period of time has resulted in a huge funnel of more than 8,000 square km. Water resources, which are relatively abundant in the west and south, constitute some 70 percent of the total volume of water in the province. However, these areas are dotted with hillocks. While the water level is low, the altitude is high, which makes it relatively difficult to develop and utilize the water resources there.

Over the past 40 years various terms of government of Henan and people throughout the whole province have labored arduously in developing irrigation works, with apparent results. On the whole, however, the foundation of the province's irrigation works is still considerably fragile. There are a total of 107 medium and large reservoirs in the province, 35 of which are faulty. Most of the large and medium courses on the plains should be dredged. A considerable number of irrigation works have not been coordinated properly. These irrigation works, which have been improperly maintained and managed, have suffered serious damage, and their beneficial results have diminished. The progress of exploiting and utilizing water sources passing through the province is slow. Over 3 billion cubic meters of water is diverted annually from the Huang He for irrigation and supplementary irrigation of nearly 6 million mu of land, less than one-tenth of the Huang He's flow across the province. There is a serious loss of water and soil in the hillock areas, and there are still more than 30,000 square km of area in which irrigation works are needed. Moreover, the volume of water used by industry and by urban and rural population in their daily life increases yearly, and water pollution is becoming more and more serious. There are

still 1.3 million people in the province who have problems with their drinking water.

The harsh realities of the water problem have enabled us to gain an increasingly profound understanding that without the development of water conservancy works, agriculture will not be stable, and overall economic construction will be limited. More than 90 percent of Henan's 82 million people is distributed in rural areas. Peasants' income mainly comes from agriculture and the development of a wider variety of businesses, and that of township and town enterprises depends upon accumulated funds generated by agriculture. To a large extent, agricultural improvement is determined by water conservancy works.

In the agricultural sector, whether in the promotion of improved varieties, the perfection of the service system, or the increase of material investment, it is very possible that failure to implement water conservancy works properly and an inability to resist natural disasters will result in a situation in which increasingly serious losses are incurred by the increasing amount of effort put into it.

Based on this understanding, the provincial party committee and the provincial government have been proposing in the last two years that water conservancy works should be a major aspect of basic construction. They say they would rather put aside the attainment of spectacular results during their terms of office so that they can attend to the long-term basic interests of people in Henan by putting effort and capital into laying a firm foundation for water conservancy works. Despite difficult circumstances, the provincial financial authorities increased investments in water conservancy works by 60 million yuan in 1988. In 1989, such investments were increased by another 40 million yuan.

From now on, the annual increase of water conservancy investment will be stabilized at over 100 million yuan, and the value of investments in water conservancy construction projects will be protected. Cities, prefectures, and counties should allocate five to 10 percent of their financial resources for water conservancy construction. More than 30 counties have set up water conservancy development funds.

People are very enthusiastic about participating in water conservancy works. They have adopted measures of "transferring the right to use motor-pumped wells with compensation" and "using farmland as capital" to pool funds extensively for water conservancy projects. Although Henan enjoyed good weather last year, people's enthusiasm for implementing irrigation construction increased rather than decreased. Whether in terms of scale, progress, quantity, quality, or actual results, the best water conservancy work in many years was carried out throughout the province last year.

To establish a solid foundation for water conservancy works, we, while summing up our previous experiences,

have also formed a guiding ideology for water conservancy construction, i.e., "self-reliance, starting an undertaking through hard work, scientific planning, and long-term struggle." We have also formulated "outlines for a development plan for water conservancy construction in Henan Province" and decided on objectives of our struggle in water conservancy construction until the end of this century. According to the plan's requirements, we will have to take the combined measures of resisting drought, preventing floods, and draining waterlogged areas, with equal importance attached to both construction and management. In the short run, we must perfect, coordinate, and improve existing projects, and we must also actively develop the diversion of water from the Huang He for irrigation, the use of motor-pumped wells for irrigation, the diversion of water from reservoirs and rivers for irrigation, the extension of areas in which good harvests are ensured despite drought or excessive rain, the protection of the environment, the increase of afforestation, the unified management of the proper use of water resources, the active promotion of water conservation irrigation techniques, and the increase of the utilization rate of water for irrigation. At present, the party committees and governments at all levels are determined to struggle diligently to solve, once and for all, Henan's water conservancy problems. The plans will be adhered to irrespective of personnel changes in the provincial authorities, which means that new officials will pick up where their predecessors left off, and the original blueprints will be used until the project is completed.

#### **Roundup of Hainan Agricultural Development Plan**

*OW2904114890 Beijing XINHUA in English  
0746 GMT 29 Apr 90*

["Roundup: Hainan Boosts Agriculture"—XINHUA headline]

[Text] Haikou, April 29 (XINHUA)—China's largest special economic zone of Hainan is taking the lead in setting up a comprehensive agricultural pilot zone with foreign investment.

According to the program, the zone, covering 246,000 hectares, will major on cultivation of tropical plants, aquatic product breeding and processing industry with sophisticated technology for export. It is expected to develop into an agricultural economic zone with a package of service ranging from agriculture, industry to marketing.

The Hainan provincial government will lease plots of land to companies at home and abroad for development and will not directly interfere in their management activities but just offer them guidance and coordination in principle.

A provincial official in charge of the project said the establishment of the zone is a key to vitalize the island's agriculture in line with the instruction of the State Council leaders.

Hainan is China's largest tropical and sub-tropical area and agriculture is its economic foundation and an important part of the overall development.

Surrounded by sea rich in aquatic products, Hainan covers 3.39 million hectares of territory including 2.2 million hectares of areas available for farm development and has a total population of 6.2 million, 80 percent of whom live in rural areas. The proportion of agriculture accounts for more than 50 percent of the total industrial and agricultural value.

According to the official, 70 percent of Hainan's exports are farm produce and goods processed with farm and sideline products.

Since Hainan became one of China's provinces in 1988, the provincial government attached great importance to consolidating the foundation of agriculture, especially grain production.

Due to natural and geographical conditions, Hainan's irrigation facilities were backward and the amount of lower yield farmland accounts for 60 percent of its total. The per capita grain output was only 191 kilograms in 1988.

To change the state of purchasing 300 million kilograms of grain from other provinces and foreign countries to feed its people, the provincial government decided to give priority to grain production.

According to statistics, the province increased 59.5 percent more investment in agriculture in 1989 and it spent 139 million yuan (about 29.57 million U.S. dollars) on construction of irrigation and power facilities over the past two years.

Although Hainan was hit by violent typhoons last year, it still reaped a good harvest of 1.51 million tons of grain, up 26.2 percent over the previous year and approaching the record.

The official noted that Hainan is mobilizing all efforts to strive for this year's quota of 1.55 million tons of grain this year.

To help the island with its agriculture, the state has listed Hainan as one of the nation's key agricultural development zones and will allocate 30 million yuan (about 6.4 million U.S. dollars) and grant 30 million yuan loans a year between 1990 and 1992 to help it transform lower yield farmland.

While boosting grain production, the official said, Hainan has paid attention to making full use of and developing its natural resources. It has made a plan to improve varieties of rubber products and expand production of coconut, coffee, pepper and cashew.

According to the official, the development of tropical plants has helped increase farmers' income. So far about one-fourth of the income of farmers on the island comes from cultivation of tropical plants.

The official noted that Hainan also plans to exploit sea resources.

With a 1,500-kilometer coastal line, accounting for nearly one-tenth of the country's total, Hainan abounds in 100,000 square miles of fish farms and 25,200 hectares of polder areas available for raising aquatic products.

The province will adopt preferential policies and import funds and advanced technology at home and abroad to boost production of marine products.

It is learned that the province has already made progress in making cooperation with foreign business people in shellfish breeding.

### **Country Breeds 21 Varieties of Rapeseed**

*OW0205133990 Beijing XINHUA in English  
0108 GMT 29 Apr 90*

[Text] Shanghai, April 29 (XINHUA)—China has bred 21 fine varieties of rapeseed.

Traditional varieties of rape, one of China's major oil-bearing crops, have a high content of harmful substances.

According to Liu Chengqing, a senior Chinese agricultural scientist at the Oil Crops Research Institute of the Chinese Academy of Agricultural Sciences, the new varieties have a low content of harmful substances that meets international standards for rapeseed.

Liu said most of the new varieties nearly equal traditional varieties in per-hectare output, and some are also disease-resistant.

As rape is widely grown in China, scientists have cultivated varieties to meet the requirements of different areas.

Liu said that the fine varieties are now being popularized in China and one has been introduced to Canada, the top rapeseed producer in the world.

China and Canada have been engaged in cooperative rapeseed research for the past six years, and the fine varieties are a benefit of the cooperation, Liu said.

### **Guangdong's Export-Oriented Agriculture Discussed**

*OW0705230390 Beijing XINHUA in English 0555  
GMT 7 May 90*

["Roundup: Guangdong Boosts Export-Oriented Agriculture"—XINHUA headline]

[Text] Guangzhou, May 7 (XINHUA)—China's reform and open policy has helped south China's Guangdong Province boost export-oriented agriculture.

Ma Encheng, director of the Guangdong Provincial Research Center of Agricultural Development, said the provincial government has encouraged and organized local farmers to make full use of the province's fields, mountains and waters by replacing traditional farming methods with advanced technology and improved seeds.

Guangdong, whose surface area is 70 percent covered by mountains, 20 percent by water and 10 percent by flat farmland, has more than 1,000 kilometers of coastline and numerous isles.

For centuries, farmers concentrated only on growing grain, sugar cane and oil-bearing crops on the farmland and their overfishing in the adjacent sea caused a sharp drop in aquatic resources.

Over the past five years, the Guangdong provincial government has spent five billion yuan (about 1.1 billion U.S. dollars) on a program to make comprehensive use of all its resources.

As a result of introducing advanced technology and more than 200 varieties of improved seeds and improving production and product mix, the farmland now generates about 30,000 yuan (about 6,383 U.S. dollars) per hectare in output value, up from 7,500 yuan (about 1,596 U.S. dollars) per hectare five years ago.

The director said Guangdong has set up several hundred export-oriented production bases for tropical fruits, vegetables, flowers, rare animals and fine breeds of livestock.

The province now sells large quantities of fresh and live farm products and sideline products to Hong Kong, Macao, Japan and Southeast Asian countries.

Guangdong has invested more than 100 million yuan (about 21 million U.S. dollars) in greening mountains over the past five years by planting orchards, traditional Chinese herbal gardens and commercial forests.

The province has also mobilized individual, collective and state efforts to modernize its deep-sea fishing fleet to increase the catch for export.

According to Ma, the province has made full use of its 87,000 hectares of reclaimed land which produces about 800 million yuan (about 170 million U.S. dollars) of output value and 50 million U.S. dollars worth of aquatic product exports a year.

According to the provincial agricultural department, Guangdong ranks first in the country in the production of fruits and aquatic products.



Guangdong now has 639,000 hectares of orchards, up from 258,000 hectares in 1985. Annual fruit output rose from 1.16 million tons in 1985 to the present 2.76 million tons.

Fresh water fisheries have been expanded by 20,000 hectares and fisheries on the coast have been expanded by 30,000 hectares.

The province exports 1.5 billion U.S. dollars worth of farm and sideline products a year.

Ma said the development of agriculture has not only enabled farmers to become well-off but has also attracted more foreign investors.

Many business people from Hong kong and overseas have invested in vegetable and flower gardens, fish ponds and orchards in Huizhou, Dongguan and Jiangmen Counties in Guangdong Province.

## New Trends in Social Science Methodology Discussed

90CM0047A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 1, 15 Jan 90 pp 66-71

[Article by Chen Zhiliang (7115 1807 5328) and Yang Geng (2799 5087) of the Philosophy Department, China People's University: "New Trends and Modernization in Social Science Methodology"]

[Text] Just as natural sciences are born out of natural philosophy, social sciences have emerged from the womb of moral philosophy. In the wake of the modern industrial revolution, social sciences have branched out from moral philosophy and have won independent status. As a social study tool, social science methodology has developed as our understanding of "society" itself becomes more diverse and complicated. What this article will discuss is the historical process and internal trend of the evolution of social science methodology.

### I. Westernization of Social Science Methodology

"Society" is the ontological basis of social science methodology, and social science methodology is social ontology in the form of a tool or a means of manipulation. Social science methodology is always associated with the understanding of "society." If we study the evolution of Western social science methodology in association with the five models sociologists use, we can separate Western social science methods into five approaches (we will exclude Marxist methodology for the time being). Each of these five approaches has its own unique methods:

**1. The natural science approach to understanding "society" and the resulting disciplines of social physics and social biology and the positivist method.** This approach originated with Comte. Comte held that [all phenomena] in the social realm, "like the phenomena in other realms, follow a constant law."<sup>1</sup> To study this constant law, one must adopt a social physics method. This method must comply with the five major principles of positivist methodology, that is, it must be real, not imaginary; it must be useful, not useless; it must be reliable, not dubious; it must be exact, not vague; it must be positive, not negative. In Comte's view, "theology and physics are mutually exclusive. Their viewpoints are basically opposite."<sup>2</sup> Metaphysics is the intermediary between theology and physics. In other words, to go from a "supernatural viewpoint" to a "natural viewpoint" is to go from the "theological realm" to the "positivist realm." Even though Comte later abandoned the "social physics" concept and advocated historicism as the basic characteristic of social science, his main influence still lies in the former area. Comte's social physics progressed to social biology in Spencer's time. Their methods are modernized through the theories of social organization and social control, and they still make up a powerful force in modern societies. All social movements contain physical, biological, systematic, and spontaneous realms. It is absolutely essential to study society in relation to

these realms if we are to understand society. But we cannot really grasp the essence of social movements if we stay in this positivist, scientific realm. After all, the history of the world is but a process that man created through human effort and a process that nature created for man.

**2. The nominalistic approach to understanding "society" and the resulting method of social psychologism.** Social nominalism originated with the 17th century materialist philosophers Hobbes, Aierweixiu [1947 1422 4850 0208], and d'Holbach. Nominalism treats society as a surreal being and advocates studying society from the point of individual existence and from the relationship between individuals. This becomes the theoretical basis of social psychologism. From the logic of its internal development, the method of social psychologism negates the social physicist method and asks that shallow understanding of society be replaced by in-depth analyses, and general analyses by in-depth analyses of the dynamic relations of the psychological mechanisms. The social psychology approach stresses man's goals, needs, interests, associations, and his tendency to "identify with the same kind." It explains society's developmental process better than the study of society's physical process can. The method of psychologism separates social study methodology from natural science methodology and separates natural selection from human choice, and nature's random evolution from society's deliberate evolution. This no doubt is a historic accomplishment. But if we stop at the psychological process and the relationship between individuals, we will be hard pressed to explain why social development is an objective historical process.

**3. The substantialist approach to understanding "society" and the resulting method of the doctrine of society as a whole.** Along with the nominalist approach to society, there is a substantialist approach which originated with Spinoza, Montesquieu, and Hegel. Social substantialism treats society as a real entity. This entity has its internal structure, stages, and forms, and it exists at a higher level than individual beings. The essence of society as a whole not only cannot be found in individual behavior, on the contrary, it regulates and constrains the individual and shapes the actions and emotions of each generation of individuals. Therefore, to study society, one must study society as a whole, take society as an independent being, and dissect its historical evolutionary process. From social substantialism, one can derive a set of objectivist study methods. If society as subject is the coordinate of thinking of psychologism which stems from social nominalism, then society as object is the coordinate of all thinking that stems from social substantialism. If one says the method of psychologism embodies humanist tendencies, then the doctrine of wholeness, which stems from social substantialism, must have given rise to scientism (objectivism.) The root of antagonism between these two social science methods lies in their incomplete understanding of the relationship between society and individuals: Psychologism is concerned only with individuals and holds that society is merely the relationship

between individuals; it attributes everything in society to human psychology and behavior. The doctrine of wholeness emphasizes society itself and holds that society exists independently, that it is above individuals, and that it rules them and shapes them. Both methods have their merits as well as their biases. Each has its unique system of understanding and analyzing society, and, to date, they have not been successfully integrated.

**4. The cultural approach to understanding "society" and the resulting method of social interpretation.** The cultural approach to the understanding of "society" originated with early 20th century anthropology and was later elaborated in Max Weber's "sociology of understanding." If we look at society from the cultural point of view, society no doubt is a unique system of "understanding" formed spontaneously during a nation's development. It unfolds as each nation's own extremely complicated systems of symbols, metaphors, behavior, association, and psychology, which in their own unique ways regroup and reappear as a concrete social form. The social culture mold has produced many new methods in social interpretation and the theory of understanding. These methods treat historical facts as a "text," and in this way, social scientists are no longer limited to the passive tasks of collection materials and describing facts. Instead, they begin to explain the "text" based on real life and discover new meanings and new order. The fact of the matter is that these methods of interpretation and understanding were already used by Marx. Marx said, "Dissecting humans is the key to dissecting monkeys. The signs of higher animal form displayed by lower animal forms can be understood only if they have been recognized in the higher animal forms themselves."<sup>3</sup> Thus, the revelation of the "meaning" of social reality is a historical movement. All "meanings" are latent at first. They manifest themselves and unfold in the ever-expanding social movements. This gives rise to a strange social movement: To be completely "honest" to social facts is somehow dishonest. We can reveal the "meaning" of a fact more completely if we can separate ourselves from it. From this standpoint, it is not surprising that the method of social interpretation has prompted history, political science, and economics to look at issues from a different perspective.

**5. The typological approach to understanding "society" and the resulting "ideal type" method.** The typological approach to society holds that different societies share the same structure and similar path of development. Understanding society from this perspective demands that we deal with society's generality rather than individuality, and with its uniformity rather than diversity, and differentiate societies in terms of social ideology, structure, and stage. Weber's "ideal type" embodies this concept. To Weber, "ideal type" is created as a study tool and does not really exist; it is a kind of "utopia," but it is an ideal mold and provides a system for comparison when we study a specific social structure and its political, economic, and spiritual activities, so that people can determine how close or how far the reality is from the

ideal. Thus, the typological method is very close to a "control experiment" in the natural sciences. The only difference is that a control experiment is conducted under pure conditions, although it is impossible to purify the conditions in reality. "Ideal type" in social science, however, can never become reality. It is but a comparison and study tool. But the "ideal type" method also plays a guiding role, that is, it uses what "should be" to correct what "is."

**If we review the above Western social science methods, we will discover the following laws:** 1) Western social science methods are separated according to their different approaches to understanding society. The five approaches we have just summed up are the root cause of the split in Western social science methodology. In other words, different social ontologies are the bases of and provide the different premises and guidance for the different social science methods. 2) The West does not have a unanimous approach to its understanding of society, and, in essence, the five models sociologists use only look at "society" from different perspectives. But through the evolution of the positivist, nominalist, substantialist, cultural, and typological approaches, people have come to understand society much better, and meanwhile the methods of social sciences are becoming more diversified. 3) As people come to understand "society" and as social science methodology evolves, these changes permeate all social science disciplines. As a result, whether we are looking at economics, sociology, history, anthropology, philosophy, and other typical social sciences or the overlapping human-social, social-natural science disciplines, they have all undergone repeated methodological changes. These changes in turn have given rise to or have replaced different schools of thought. Therefore, we should look at the changes in social science methodology in connection with the changes in the various social science disciplines. Thus, if we sum up social science methodology as a process of problem - material gathering - model design - experiment, we will have only the most ordinary social science methods. It is reasonable to ask that the different methods be made more manipulable so that they become more useful, but it still misses the crux of the problem. The essence of social science methodology is to understand "society." Different kinds of understanding produce different methods. To make social studies more profound, we must pay attention to the study of social theory and methodology. In other words, we must study social philosophy and social methodology in general; otherwise, we are just wasting time.

## II. Social Science Methodology's Marxist Tendency

Marxism has left us with a treasurehouse of social science methods. It not only contains mature methods, but also undeveloped, germinating ones. We not only should recognize the reliability and the scientific nature of the mature methods and use them to guide our actions, but we should also recognize the vitality of the undeveloped, germinating methods, give them prominence, study them in a mature, well-developed way, and

unite them with the mature methods. From this perspective, it is our opinion that the following five methods constitute a complete Marxist social science methodology:

**1. The practice and review method.** From the Marxist standpoint, practice is the basis and the essence of the existence and development of human society; it is a form of being. Practice is the source and development of all new relations in human society, including conscious and ideological relations. In other words, no matter how well developed, no matter how different and diverse the patterns, all societies are founded on the exchange of material, energy, and information with nature and will take the material exchange between man and nature as their own "eternal inevitability." Practice inherently embodies the relationship between man and nature, the relationship between man and society, and the relationship between man and his consciousness. In other words, practice is the epitome of human society. All studies and analyses of society must be based on practice; we must take "practice" as the starting point and the coordinate of thinking. We should look at human society from within the structure of practice. The method of practice and review is the root of Marxist social science methodology. It reveals the overall Marxist approach to "society," that is, "When probing into and conducting scientific analysis of human lifestyle, always take the opposite road to the actual development. This kind of probing is after the fact, that is, it begins with the result of a completed developmental process."<sup>4</sup> In this way, Marx gave us a materialist scientific clue to exploring social development.

**2. The method of attributing all social relations to production relations and all production relations to the quality of the productive forces.** This is a way to differentiate social patterns. Marx held that unification of the productive forces and production creates a social production pattern, and "the production pattern in our material life constrains our social, political, and spiritual lives." Given its productive forces, society's production relationships shape its economic structure, and the economic, political, and cultural structures make up a complete social pattern. The basic method of differentiating the social patterns is to attribute all social relationships to production relationships and to attribute production relationships to the quality of the productive forces. Only in this way can one discover the repetition and the convention in the law of social movements, only then can one use "the precision of natural sciences" to demonstrate "society's material change," and only then is there a basis to "generalize the different systems of different countries into a concept of social patterns" and distinguish one from the other. The notions of "repetition," "convention," and "precision" turn the social sciences into a mature science. It was in this sense that Lenin said "there will be no social sciences"<sup>5</sup> without this method. Thus, Marx turned a general understanding of society to a profound, concrete analysis of social patterns.

**3. The method of unifying social behavior and personal development.** Vertically, this method reveals people's dependence on nature—their individuality in their material dependence—their free personality. Horizontally, it reveals the "incidental individual," the "individual with personality," and the individualization of man. From Marx's standpoint, the individual's lively activities make up the human society. "We should avoid taking 'society' to be something abstract and setting it against man."<sup>6</sup> "The system that communism has set up is built on a real foundation: It eliminates all things that exist independent of the individual."<sup>7</sup> Obviously, here lies a strange unification of methodologies, that is, if Marx's method of social pattern and social structure is similar to Western society's substantialist method, then "eliminating all things that exist independent of the individual" is a typical Western social nominalist method. The only difference is that the West's social nominalism and social substantialism are two methods that are antagonistic and mutually exclusive, while Marx's method of analyzing the whole society as well as the individual is an integrated method. Marx understood society's development as a whole; he also saw different individuals' behavior as the "real basis" of society's existence. He united society's development and individual development at a higher plane and eliminated the dissonance produced by social nominalism and social substantialism. Marx devoted many pages to analyzing social activities, how they diversify and solidify, how they catch on worldwide, how world contacts become universal, and how they relate to social structure and human development. "The unanimity of environmental changes and human activities or their spontaneous change can only be looked at and be interpreted reasonably as the practice of revolution."<sup>8</sup> This is a crucial principle of social science methodology—the unification of social behavior and human development. But we have not probed deeper and have not tried to dissect social development from the angle of activities, association, and human development. We are satisfied with ordinary social analyses and have never tried to help this germinating method develop.

**4. The method of social understanding.** Marx discussed "understanding" at length. Besides pointing out that "dissecting a human is the key to dissecting monkeys," Marx also pointed out that the way to understanding and the secret of understanding lie in the real social structure. If a society has no mechanism for self-criticism, "there can only be partial understanding of past patterns." It is possible to have an "objective understanding" of various historical phenomena only if "there is some degree of self-criticism" in society or when "self-criticism has begun."<sup>9</sup> For this reason, in the course of a society's development, there is always a process of "understanding" history on the basis of real movements. This "one-sided" and "objective" form of "understanding" is always associated with "self-criticism" in society. Marx's profound exposition of "understanding" obviously is more advanced than Weber's "sociology of understanding" and any other explanations. Unfortunately, we have

not gone on to develop a Marxist school of understanding and explanation. This, no doubt, is a serious mistake.

**5. Along with the above general social science methods, Marxism also left us with concrete analytical and manipulative methods.** a) *The method of combining macroanalysis and microanalysis (cell).* Marx always linked microanalysis of society to macroanalysis. When he analyzed the macroeconomic pattern of capitalism, he started with a microeconomic analysis of commodities. When he dissected the social conflicts of capitalism, what he exposed was the internal structure of an enterprise. This combination of macroanalysis and microanalysis gave Marx's social analyses great logic and vitality. b) *The method of combining subjective and objective analyses.* In social analyses, Marx very often made two-way analyses by turning the subject into object and turning the object into subject and focusing and unfocusing on the targets. He looked at the object as an open book on subjective psychology and the subject as the crystallization of world history and social relationships. This subject-object analysis put shame to those methods that look only at society as a whole, at the individuals, or at human nature. Marx raised the methods based on historicism, the relationship between man and society, and the relationship between subject and object to a dialectical level. c) *The method of combining qualitative and quantitative measurements.* In conducting social studies, Marx not only used an analytical method to determine the nature of things, that is, dissecting social patterns, stages, and structures, but he also adopted a quantitative method of analysis. He used mathematical methods wherever possible and firmly believed that he could use probability models to measure all sorts of volatile social quantities. Of course, as we know, limited by the conditions of his times, Marx's quantitative method was never fully developed, but Marx was very clear in what he expected of this method. d) *The analytical method of "illumination" created by society's essence.* In Marx's view, every organic entity in society has a certain relationship that "dominates the status and effect of all other relationships. It is a kind of illuminating light that blanches all other colors and changes their characteristics."<sup>10</sup> Marx's "illumination" method is of great importance. It reveals that each era has something unique that changes the other key elements in that era and transforms them into society's essence. This "illumination" method allows us to forecast social development and changes in social themes. It is especially practical at a time of rapid social change.

So far, we have cited only a few simple examples of Marxist social science methods. There is a huge theoretical treasurehouse waiting to be discovered. The problem is, although the seed and the source of all Western social science methods can be traced to Marxist methods, modern Western social science methods are heading away from Marxism. While one Western school of thought is constantly trying to negate another, Marxist

methodology radiates from its nucleus. We believe that this is because Marxism grasps the root of social development, and, therefore, it can radiate to society's every facet, every aspect, every cell, and every link. Western social science methodology, on the other hand, stems from difference facets, aspects, cells, and links; they form a whole by associating with, and continuously negating, one another. This divergence has given us many clues, the most important of which is that we must pursue Marxist social science methodology in depth. On the one hand, we must enhance the study of Marxist social science methodology and try to expand on it by evaluating and analyzing Western social science methods. On the other hand, as Chinese social scientists, we have another historic task, that is, we must stand on Chinese soil, on the foundation of several thousand years of Chinese cultural traditions, and create some social science methods with Chinese characteristics and give social science methodology an oriental tone.

#### Modern Trends in Social Science Methodology

Since the 1960's, social science methodology has taken a turn of historic significance. More and more static studies of society have been replaced by dynamic studies; the relationship between social science methodology and practical human activities has drawn closer, and as a result, some new trends have emerged.

**1. The humanist trend of social science methodology.** Because people are playing an increasingly subjective role today, human value, psychological activities, behavioral evaluation, and internal yardsticks have become important aspects of social science methods. This not only signifies a separation of the humanities and behavioral sciences from other social sciences, but, more important, people are becoming more concerned about their social and natural environments, about the harmony of mankind, and about the relationship between the development of modern science and technology and the welfare of mankind as a whole. Man nevertheless lays claim to the world from the point of his own interests. How do we make the world, society, and all things facilitate human development? This is the focal point of the humanist approach to social science methodology. It will play an increasingly important role in the development of social science methodology.

**2. The scientific trend of social science methodology.** As modern social relationships begin to link together and world contacts become more complicated, people's social activities are becoming more scientific. They want scientific proof for their economic, political, and cultural actions to make sure that they are correct. If we fail to enhance social science methodology's scientific element, the rise in man's subjectivity will bring disastrous consequences. Social behavior cannot be defied, nor can the dangers of nonscientific behavior. Modern society is no longer a closed society devoted to regional development. Mankind has gone to space, to the deep sea, and to the

deserts and is tackling bioengineering and artificial intelligence. Social behavior and science are no longer separable. This means we must strengthen the scientific element in social science methodology.

**3. Social science's trend toward manipulability.** As we enhance the scientific element in social science methodology, we should also make it more manipulable, give it concrete molds of manipulation, feedback, regulation and control, and continue to regulate and reform its various objectives, such as economic, political, and ideological objectives. All methods must be strictly manipulable; they cannot be arbitrary or unproven. Enhancing the manipulability of social science methods is the only way to let social science infiltrate people's social behavior and is also a necessary link in turning social sciences into applied science. Just as basic natural science theories have found applications in production via the technical sciences, social sciences should also find social applications by way of an operational program.

**4. Social science methodology's trend toward providing information.** Provision of information is more significant to the social sciences than to the natural sciences. Information is the "bonding agent" of human society. Society makes progress basically through a process of information selection. Human creativity in essence is the comprehensive selection of information, especially cultural information, in its own environment. It is this selection that gives order to human society. A telltale sign of social stagnation is the obstruction of circulation of cultural information. Only by obtaining massive information and by making full use of computers and other means of information processing can the social sciences interpret social trends. Therefore, how to capture and utilize information rapidly has become an important part of social science methods.

**5. Social science methodology's trend toward making forecasts.** The function of theories is to forecast and guide the future. This is particularly important in the case of social science theories. Forecast will become an important aspect of social science methodology. Today, we want to turn social science methodology from the "owl of Minerva" that takes off in the evening into a rooster that crows in the early morning and use its elated voice that echoes the spirit of the times to push the generation and mankind forward. This is the trend of the times, which cannot be reversed.

These clear trends in social science methodology show that its emphasis has shifted and it is approaching issues from a different perspective. This sets an even stricter demand on social scientists. They must be experts not just in the various social science methods but also in modern social characteristics in order to link the social sciences to the contemporary social rhythm, social movement, and social direction. Only in this way are the methods vital, and only then can the social sciences guide the times. To achieve this, social sciences' own methodology must adapt to the changing times.

#### Footnotes

1. Comte: *An Introduction to Positivism*, p. 35.
2. Fandouxin [5400 1122 0207], *Treasurehouse of Western Thought*, p. 1,361.
3. *Selected Works of Marx and Engels*, Volume 2, p. 108.
4. Marx: *Das Kapital*, Volume 1, p. 92.
5. *The Complete Works of Lenin*, Volume 1, pp. 110-116, and *Selected Works of Marx and Engels*, Volume 2, p. 83.
6. *The Complete Works of Marx and Engels*, Volume 42, p. 122.
7. *Selected Works of Marx and Engels*, Volume 1, p. 78.
8. Marx, Engels: *Feuerbach*, People's Publishing House, p. 84.
9. *Selected Works of Marx and Engels*, Volume 2, pp. 108-109.
10. *Ibid.*, Volume 2, p. 109.

#### Discussion of Deteriorating Moral Values, Integrity 90ON0418A Shanghai SHEHUI [SOCIETY] in Chinese No 1, 20 Jan 90 pp 14-17

[By Zhan Gang (6124 0474): "The Filthy Stream: The Frenzy for Money, Sex, and Corruption"]

[Text] Open a textbook on history, and it is clearly written that China is an ancient country of the East with a 5,000-year-old civilization. How proud the Chinese people are of this! We possess the world's oldest and most magnificent civilization. What we can be even more proud of is that, after the establishment of New China, the moral spirit of the people took on a brand-new aspect. Although we were not materially rich, our spirit was rich and our ideals were lofty. "We are taking the high road, so militant, so daring...." How fine was our public morality, how glorious were our customs. People cherished people, people helped people. It became common practice to study Lei Feng. From their hearts people sang in praise of their motherland, "socialism is good, socialism is good." However, what people now are really regretting is that, in recent years, suddenly like a black wind blowing in the night, thousands upon thousands of weeds of every harmful description and hideous appearance have bloomed helter-skelter. Like a flood of vicious beasts, they have swarmed over the land, blocking out heaven and earth. Like "black clouds announcing destruction of the city," they spread their influence everywhere. This is not an exaggeration to frighten people. It is living reality.

It is no secret that everything is now done for money. More than 10 years ago on this piece of land, we experienced a period of mass hysteria marked by "feelings of omnipotence." However, more than 10 years

later, people have again entered a period approximating mass insanity. "Everything is looked at in terms of money." "Whether a worker, peasant, businessman, student, or soldier, they are all engaged in business." Money seems to have become the only thing people pursue and the only thing for which they yearn. Individual enterprise households are, in effect, 10,000-yuan households. This is a fundamental fact for all to see. Numerous people, young people, old people, the unemployed, the employed have all joined the ranks. Take Shanghai as an example. In 1987, there were more than 100,000 individual enterprise households throughout the city, a 10-fold increase compared to 1980. The ranks of those engaged in second jobs beyond the eight hours is quite large. In Shanghai, staff and workers engaged in second jobs such as street peddlers, brokers, manual laborers, and entertainers now constitute 16.3 percent of staff and workers, more than 1 million people. As far as commodities are concerned, imitations are becoming more and more prevalent. In 1988, a seed company of the Shaanxi provincial Institute of Agricultural Sciences passed off seed for extracting oil as radish seed, selling it at a high price. This cut off the income from more than 50,000 mu of radishes belonging to 200,000 peasants households in Shaanxi and Henan. The economic loss came to 50 million yuan. It is not an uncommon occurrence to palm off false goods among the means of production. By the same token, people are now used to seeing common consumer goods counterfeited, such as food products, medicines, and electronic products. In recent years, the surging tide of people going abroad has been prolonged and unending. But it has not been a flood of scholars doing advanced study or those dedicated to the service of the country. Most have been those "looking for gold" and "trying to get rich." In many factories and enterprises, the attitude is "the more money, the more work; the less money, the less work; and no money, no work." The principle of "remuneration according to work" has become fair and reasonable to everyone. Some have violated their consciences and forfeited their honor for the sake of money. They have become enslaved by money.

An ugly phenomenon has occurred. People probably have not forgotten that in 1964 China solemnly announced to the world that it had basically eradicated venereal disease from the Chinese mainland. However, after the wheel of history rolled into the eighties, XINHUA reported, "According to statistics, from 1982 to 1987, venereal disease has shown a 3.22-fold increase each year in the rate of its development from the coastal regions to the interior and from the cities to the rural areas." The publication *Recent Trends in Venereal Disease in Guangdong Province*, noted that at the beginning of 1987 the number of those discovered with venereal disease had reached five figures in the province. What does this mean? It means that the more people there are who are afflicted with venereal disease, the more prostitution there is. Everyone knows this. While prostitution still maintains a bit of secrecy, pornographic publications are completely out in the open. You can walk down the main streets and the back lanes and find numerous

individually run or collectively run book stalls where scores of publication covers are displayed showing almost all the same scenes of naked or seminaked men and women laughing with delight. The titles depict everything one would expect to find in the way of lust and carnal desire, such as *The Charms of Licentious Ladies*, *The Mistress*, *The Tears of the Prostitute*, *One Man and Eight Women*, *Breeding Slaves*, and *Crimes of the Bathhouse*. If you were to peruse the content of these books, you certainly would be spellbound.

The tendency toward corruption is even more blatant. No matter how much people might detest it, in the eyes of those in authority, it is as natural as those who become officials putting on an official's cap and as those who become emperor putting on imperial robes. If you have authority, you have to use it. Otherwise, you cannot call it authority. As long as you have authority to use, you should use it completely and wholeheartedly. You must not be irresolute in your use of authority. From buying scarce commodities to eating and taking things without paying and from housing assignments to getting jobs and promotions for relatives and friends, you make use of your authority as much as possible. Not long ago, the newspapers publicly exposed the likes of Wei Mingsheng [7614 2494 3932], whom the people of Ankang in Shaanxi Province had dubbed the "commissioner of eating and drinking" who had broken the signboard of the Communist Party by openly plundering the flesh and blood of the people. He was a typical example. The magazine BAN YUE TAN [SEMIMONTHLY TALKS] reported that in 1988 procuratorial organs throughout the country handled more than 36,500 cases of graft and 9,200 cases of bribery and that court proceedings were instituted against some 10,356 cadres of all levels for graft and bribery, with 3.34 million yuan being the largest amount of graft involved. The tendency toward extravagance and waste is also extremely prevalent. According to JIEFANG RIBAO, throughout the country from 1981 to 1986, the approximate equivalent in foreign exchange of 20 billion yuan in renminbi was used just to import automobiles. In 1987, various localities throughout the country squandered more than 53 billion yuan that was not entered into the account books on eating for free and on taking things without paying and on the random purchase of luxuries and importation of automobiles. In the final analysis, how extensive is "bureaucrat profiteering"? Without being able to collect the data, it is difficult to come up with statistics. However, with these type of figures, perhaps we can perceive the whole tiger from a glimpse of a stripe. During the "company fever" of the last two years, more than 40,000 party cadres have had a hand in business dealings. Who knows what the situation might be with regard to those large and small "bureaucrat profiteers" who have not yet been publicly exposed? But you can fully imagine. Corruption inevitably produces a "demonstrational effect." When the magistrate can commit arson, the people can then light their lamps. "If he falls, we fall. If he doesn't fall, we don't fall. Everyone falls together. If no one falls, no one loses out."



This tendency, that tendency, this wind, that wind, a southeast wind, a northwest wind, they all create a foul and pestilential air in our society. They pollute our society's atmosphere and corrupt our souls. What a shame!

#### **Mental Attitudes: Anxieties, Going Along With the Trend, Taking Advantage of Someone's Misfortune**

What do people in actual life think when phenomena of every description that are absolutely contrary to socialist materialist civilization swirl around and literally flood this piece of land that is our republic? What is their attitude in this regard? It is frequently said that you will get a hundred opinions from a hundred people. It goes without saying that the attitudes of hundreds of thousands would be difficult to describe one after another. Nevertheless, according to a comprehensive classification of various attitudes, they can more or less be divided into the following several types.

**Attitude 1: Worry, perplexity, indignation, outcries.** It should be said that the vast majority of our countrymen are sober-minded, have a clear sense of right and wrong, and also have a particularly strong concern for the country and for the people. In these days, the broad masses, the revolutionary cadres, and intellectuals without exception are expressing extreme concern for society. Dubbed the Chinese "sentiments," they continually crop up in people's speech, in their discussions, and in their exchanges with each other: "Where is our society headed?" "How can society continue like this?" "Where is the difference between how we are developing our society and how capitalist society is developed?" "Although the economy has developed in the last few years, people's minds have been badly served!" The question that perplexes hundreds of thousands of decent Chinese and constantly worries them is: "At present, the party's political style and the social trends are growing farther and farther apart. How can the higher authorities both be in control and yet not in control of this? What's the reason behind all this?" "In carrying out the four modernizations, why can't we ask whether it's called socialism or called capitalism?" "Can it be that we are carrying out capitalism during the preliminary stage of socialism?" Numerous knowledgeable people, including people outside the party, have lost patience. They cannot understand it. They cry out: Listen to our words of truth. The present situation regarding corruption is serious. If it is not turned around, the life of the party in power will be difficult to guarantee and our great socialist cause will be destroyed in a moment. During the Third Plenary Session of the Seventh National People's Congress, representatives loudly and harshly called out: "What China most lacks now is not money, or color televisions, or coal, or food. It lacks a national moral spirit!" "We need to recreate the souls of the people without delay!" Across the sacred land, countless letters have, like bolts of lightning, been received by newspapers, radio and television stations, and the very highest offices. Their single, common theme is a strong demand that the party and the

state restore the work style of the party and the people in order to earnestly and strongly build a socialist spiritual civilization.

**Attitude 2: Puzzlement, without any choice, following your feelings.** The song *Follow Your Feelings* was well received when sung by the young vocalist Pan Anbang [3382 1344 6721] at the evening celebration of the Spring Festival in 1989. However, no one could have predicated what a strong, sympathetic response this song would arouse in the public. Countless young people sang it with all their hearts. Some of the puzzled and hesitant join in the hysteria. And even some older people could not help but hum along. During the year of the dragon, the words from the theme song from the television play *Snow City*, "I don't know, I don't know..." was everywhere on everyone's lips.

Musicians say that a song is an expression of feelings.

Social psychologists say that the popularity of a song is often a candid disclosure of people's attitudes and a depiction of real society.

In these last several years, our society has entered a kaleidoscope world. With its great variety, it is complicated and confusing. Our society has suffered unprecedented assaults and shocks with the advent of reform and the opening to the outside. A multitude of new concepts and ideological trends, both correct and incorrect, have been dished up and spread about. Every variety of muddled thing and ugly phenomenon has been presented to the public. People are bewildered, and they are sated. Undoubtedly, for those who are inexperienced in the ways of the world, for those whose knowledge comes mainly from books, and for young people who lack social experience, this is as perplexing and strange as entering a labyrinth. It is extremely difficult to get your bearings. In such a complex society, clear distinctions cannot be drawn and it is difficult to tell right from wrong. "Things are all muddled now. Everyone claims to be in the right. We don't know who we should listen to." This has been a common theme in the discussions of young people. Even though there are many older people who have gone through trials and hardships, it would seem that their "experience" is not sufficiently useful at this time. Despite the fact that their experience along the historical road of the republic is much greater than that of young people, the new situations and problems that they are faced with now were never encountered in the past. It is difficult for people to resist and to make distinctions. They cannot make up their minds. Ultimately, they have no choice but to follow their feelings and go along with the trend. Since one person can do something, then another too can follow along and do it. If one person can have business dealings, then another can do some buying and selling too. If to earn money, one person can mix the false with the genuine, then another too can play tricks, scheme, and cheat others. If one person can use an artistic title to publish a large number of "human body photo albums," then another can issue pornographic books in the guise of literature. If

one person can concoct various pretexts to pass out bonuses, then another can exhaust the possibilities for turning out more goods. If one person can see someone whose life is endangered and walk away without helping, then another can turn a blind eye and think that it does not pertain to him. Pretty soon, it turns into a vicious cycle. The "small stream" becomes a "large river." The "microclimate" becomes a "macroclimate." And eventually, the social environment is ruined.

Attitude 3: Taking pleasure in the misfortune of others and fishing in troubled waters. During these chaotic times for our society, we can clearly see that there are indeed some people who applaud and delight in it. These are mainly hostile elements with deep-seated hatred of the Communist Party and the socialist system. They have been adhering to bourgeois liberalism for a long time. It is their reactionary natures that has wholly determined this chaos. They have either inflamed and agitated people and engaged in political plotting or they have thrown fuel on the fire and created confusion or they have openly mounted the stage and spread their pernicious influence. Their purposes are to sow confusion for socialism until it completely collapses and to put into practice capitalism and all that entails. In this regard, we can see from the turmoil and counterrevolutionary rebellion in Beijing and the incidents of beatings, smashings, looting, arson, and killings that occurred in places like Changsha, Chengdu, and Shanghai that certain social hoodlums and dregs of society want nothing less than chaos in China. To use their own words, "Mass upheaval is fine." Their logic is simple. As soon as society is in chaos, they can have their markets and their opportunities. Once they dominate society, they can go all out and run wild. When there is no disorder, they cannot achieve their goals. The following are some of the reckless remarks made by certain shady characters while eating and drinking in a restaurant. They go a long way in explaining the problem.

"Those damned sons of bitches who are officials now are all corrupt. I bribed our high and mighty one with 1,000 yuan and in one stroke was able to avoid paying five figures in taxes. Hell, who says this society's not screwed up...."

"Well, the less society is like that, the more profits we can reap. Otherwise, wouldn't everything have been stolen in the last few years?"

"My friends, I'm convinced that the climate now is very beneficial to us. You really can do whatever you want to do. I just took a trip to Shishi in Fujian. The women there are real eyeopeners. For 20 or 30 yuan you can really have a good time with a young girl. Ha, ha, it was really terrific."

"Right, we have to take advantage of the disorder while it exists. We have to work fast to get it while we can. Otherwise, when things get tight, the party will win over."

This has greatly exposed their inner world and is a good declaration of their views that they themselves have presented.

Besides the attitudes of these people, are there not others who, to a greater or lesser extent, hold somewhat similar seamy attitudes? We do not have to do any profound research to know that they do.

#### **The Lesson: Being Both Tough and Gentle Will Never Work**

The faults have become facts. Regrets are of no avail.

We now have to soberly and carefully think it through: Why did it turn out this way?

Were we grasping the building of a socialist spiritual civilization during recent years? Obviously we were. History clearly records the following:

In April 1983, Comrade Xiaoping unequivocally pointed out in his speech to the Indian Communist Party delegation that the CPC, while it is in power, must pay particular attention to building a material civilization and at the same time must also build a socialist spiritual civilization. He declared, "What is most fundamental is that we enable the broad masses of people to have communist ideals, morality, culture, and discipline."

On 11 October 1983, Comrade Xiaoping again declared at the Second Plenary Session of the 12th CPC Central Committee, "We cannot tolerate spiritual pollution on the ideological front."

The Secretariat of the CPC Central Committee, at a mammoth meeting from 6 to 9 June 1986 of 8,000 people from Central Committee organs, appealed to party members and cadres there to set an example of correct party work style.

On 28 September 1986, the Sixth Plenary Session of the 12th CPC Central Committee issued a special "CPC Central Committee Resolution Concerning the Guidance and Policies for Building a Socialist Spiritual Civilization," which called for an across-the-board effort.

The Third Plenary Session of the 13th CPC Central Committee also passed the "CPC Central Committee Circular on Strengthening and Improving Enterprise Ideological and Political Work."

The facts show that in recent years we not only were talking about building a socialist spiritual civilization, we were also grasping it.

Where is the problem then?

In this regard, Comrade Deng Xiaoping on 9 June 1989, when receiving cadres of army level and above from Beijing martial law units, hit the nail on the head when he pointed out, "It is not that we have not talked about the four cardinal principles, about ideological and political work, and about opposing bourgeois liberalism and spiritual pollution, but rather it is a lack of consistency

and not having taken action." Grasping the building of a material civilization and the building of a spiritual civilization means having been "on the one hand tough and on the other hand gentle."

In recent years, the actual work of grasping the building of a socialist spiritual civilization seems to have existed in name only, with merely a bare skeleton laid out. From what we understand, in the eyes of a great many leaders the building of a spiritual civilization was never handled as toughly as the building of a material civilization. It was a soft task marked by a great deal of flexibility. As a result, it could be grasped or not grasped. Some failed to grasp it right from the start. In many localities, cadres are tested not on the basis of their integrity and ability and judged comprehensively, but are tested on the basis of their so-called "productivity." In evaluating a leading cadre's "official achievements," we often look only at his "output value" and "profit tax" without considering his contribution toward building a spiritual civilization. "As long as production and economics are attended to, the other things will be fine." It can be said that leading cadres with this mentality were quite common, and even today there are quite a few. As far as standards are concerned, in recent years those for building a spiritual civilization have sunk lower and lower. The theories on the initial stage of socialism that was presented at the 13th CPC Congress were wholly in accord with the conditions in China and were correct. However, some people have deliberately misinterpreted them, saying that, if we were still at the initial stage of socialism, then we need not make such high ideological and moral demands on the people. Some bizarre things occurred as a result. Take ideological training for example. Originally, the core of communist ideology boiled down to using the key elements of common ideals. Later, because these common ideals permitted the existence of corrupt ideology of actual life, the key elements sank lower and lower. Under these circumstances, the original spirit of communism, the custom of finding pleasure in helping others, and the desire to serve with respect were all watered down or superceded by selfishness, individualism, and other nonproletarian ideologies. Political work cadres in a great number of factories, mines, commercial establishments, schools, and other units had their jobs merged, were given lower status, and had their numbers reduced. Some newspapers even widely reported the so-called experience of enterprise reform in some cities and towns where "cutting the number of political work cadres in half doubled output value and profit taxes." Some enterprises looked on political work organs as third-class administrative offices. Political work cadres were ranked as old number nine for allowances and bonuses. With treatment like this, how could they not be hurt and feel lost? They had no alternative. The best thing they could do was quit or "change jobs" or "withdraw."

Being both tough and gentle has bred disaster.

Yes, it is high time we very carefully absorbed the lesson.

In this regard, the CPC Central Committee wisely and sensibly took prompt action to make a profound review of the experience and lessons of 10 years of reform and opening to the outside and then quickly responded.

At the rally celebrating the 40th anniversary of the founding of the people's republic, the newly elected CPC general secretary, Comrade Jiang Zeming, unequivocally declared in his lengthy speech, which has been called the "political manifesto" of the third-generation leaders, that "It is our fundamental principle to adhere to both a socialist material civilization and a socialist spiritual civilization." "We must profoundly absorb the lesson of recent years of having been both tough and gentle with respect to material civilization and to spiritual civilization, and at the same time we are developing a material civilization, conscientiously do a good job of building a spiritual civilization." This boosted the morale of our countrymen.

What made people even happier was that they not only heard an inspiring "program," they also saw some real action.

Instruction for party members, [Communist] Youth League members, and the masses in patriotism, socialism, in acting independently and taking the initiative, arduous struggle, and social morality is now being unfolded in a step-by-step planned way throughout the country.

Various types of corruption are now being punished and corrected. In the past several months, a large group of corrupt criminal elements nationwide have been investigated and dealt with. Not counting any others, there were more than 13,600 people who made voluntary confessions during the two months that the Supreme People's Court and Supreme People's Procuratorate "circular" was in force, and more than 88.5 million yuan in illicit funds and property were surrendered. Of these people, 317 were cadres at the county office level or above. We are beginning to control the extravagance, waste, and grand style of entertainment that have been prevalent for many years. According to a survey made in a certain city, since July the restaurants and hotels that had a flourishing business in the past were now experiencing a "slump." Business volume has dropped by about 40 percent. The main reason for this has been a great reduction in the use of public funds for large-scale entertainment at these places.

In order to correct party work style, the party Central Committee will take the lead by undergoing several years of austerity. Members of the Political Bureau, the Secretariat, and the Standing Committee of the State Council have all already given up riding in imported automobiles and are using only those manufactured domestically.

A huge antipornography storm is sweeping China and washing clean the filth from the sacred land. According to a XINHUA report, after an effort of more than two months, various localities have confiscated more than 30 million copies of prohibited publications, more than

400,000 audio and video cassettes, suppressed more than 300 criminal nests producing and selling pornography, and investigated and dealt with more than 1,800 of these types of criminals. Shishi Town in Fujian, which has been dubbed China's "center" for collecting and distributing pornography, in September was subjected to a "coordinated operation" in which 60 prostitutes were seized, 171 of their customers arrested, 196 obscene articles found, 368 criminals arrested, and 83 reproduction facilities destroyed. This antipornographic effort was hugely gratifying.

However, there are still many people who are worried that maybe this was just a gust of wind and that in the end "the landscape will remain the same, and its features will not have changed." Their concern, of course, is not unfounded. Too many people have actually had similar experiences, and it is impossible not to have lingering fears.

Even though things are this way, people are still full of confidence and earnestly looking forward to the building of a socialist spiritual civilization taking on a new aspect of brilliance and splendor.

If only this grievous chapter we just experienced were the last in the history of Eastern civilization!

#### The Number of Those Punished for Corruption

According to reports from the Central Discipline Inspection Commission, from 1982 to 1988 the discipline and inspection system throughout the country entered into the records and dealt with 1,147,962 cases involving various violations of discipline. Disciplinary action was taken against 879,117 party members. Of this number, 342 were cadres at the provincial or army level; 4,296 were persons at the prefecture or division level; and 39,494 were persons at the county or regimental level. Those who underwent proceedings for such economic errors as graft, thief, offering bribes, or accepting bribes accounted for 23.96 percent. Those who underwent proceedings for leading dissolute lives accounted for 12.4 percent. Those who underwent proceedings for having violated family planning policies accounted for 12.2 percent. In addition, there was a relatively large number who underwent proceedings for gambling, using authority for personal gain, extreme bureaucratism, and dereliction of duty.

During operations authorized by the Central Committee and led by the Central Discipline Inspection Commission to strike out at economic crimes, there were 454,375 cases entered into the records nationwide from July 1982 to July 1986. There were 140,957 party members involved. Of this number, 24,813 were expelled from the party.

According to a report from the Supreme People's Court, from March 1988 to March 1989 the courts heard 70,897 cases involving economic crimes, examined and verified 68,686 cases involving economic crimes, and sentenced

95,494 defendants involved in economic crimes. Of this number, 130 persons were sentenced to life imprisonment or death.

According to a report from the Ministry of Supervision, based on incomplete figures from January to March 1989, proceedings were held for 2,151 cases of "bureaucrat profiteering" involving the selling of production materials, permits and other documentation, scarce commodities, and foreign exchange. Of these, 1,288 cases were entered into the records, 474 cases have been tried, 400 persons have been given administrative punishment, 125 persons have been turned over to judicial organs for disposition. There were 62 cadres at the office or bureau level involved. Fines and expropriations came to 139.43 million yuan. At the same time, there were 77,640 accusations and complaints heard, 25,255 of which were entered into the records and proceedings held. Of these, 17,757 cases were tried, and administrative punishment was given to 12,699 persons. There were 432 cadres at the county or office level involved, and there were 1,571 persons turned over to judicial organs for disposition.

#### Minister of Supervision Discusses Anticorruption Work

90CM0062A Shanghai MINZHU YU FAZHI  
[DEMOCRACY AND THE LEGAL SYSTEM] in  
Chinese No 2, 12 Feb 90 pp 7-9

[Article by correspondents Feng Hui (7458 1979), Zhang Suofei (1728 2076 5481), and Jin Weihua (7246 0251 5478): "Effective Administrative Supervision, Resolute Suppression of Corruption—Interview With Wei Jianxing, Minister of Supervision"]

[Text] China's struggle against corruption and for integrity in government has had world attention.

A leading comrade of the Central Committee recently pointed out that fighting corruption is an important policy decision that has a direct bearing on the very existence of our state and party. What, then, are the actions and plans of the supervisory departments at all levels, who are fighting at the front line of this struggle? For an answer to this question, we specially arranged an interview on the eve of the Spring Festival with Minister Wei Jianxing [1414 0256 5887].

#### Concentrating Efforts on Investigation and Punishment of Major and Important Cases of Graft and Bribery, and of Misuse of the Powers of Office for Personal Gain

During the "san jiu" days [the third nine days after winter solstice] it is very cold outside in Beijing, but inside the rooms have the warmth of spring. On being informed of the purpose of our visit, Minister Wei most obligingly informed us of the specific ways in which the supervisory organs at all levels last year had made "investigations of clean government" their core concern when launching their comprehensive investigations, and how their predominant concern was the fight against

corruption and the investigation and punishment of major and important cases. Minister Wei said, "By our investigation and punishment of violations of law and discipline, we promote integrity in government, strengthen the confidence of the masses that corruption will be punished and suppressed, and we also train a contingent of supervisory personnel."

Indeed, after fully understanding what China's supervisory organs are doing in the struggle against corruption, everyone will have full confidence in them. Last year alone, as of October, the supervisory system had received 168,700 citizen reports; 38,908 of these have resulted in prosecutions and punishment, 178 percent more than in the preceding year. Action was concluded in 36,072 cases, 157 percent compared with the preceding year. Administrative penalties were imposed on 23,777 persons, of whom three were cadres of provincial and ministerial rank; 1,212 persons were cadres of provincial department (section) and county (office) rank; 2,761 persons were handed over to the judicial authorities for punishment, and economic losses recovered for the state amounted to 340 million yuan.

At the same time, during the entire year last year, the supervisory organs received clues as to problem situations, involving 113 cadres of provincial and ministerial rank, of which investigations and procedures have so far been concluded on 38 persons. Forty major and important cases have been investigated and handled as important enough to be dealt with by the ministry itself and, of these, 18 cases have already been disposed of. In these cases, 13 cadres of provincial and ministerial rank were involved, four of which have already been fully investigated and appropriately dealt with, as, for instance, the bribery case of Tuohuti Shabir, the former vice chairman of the Xinjiang Uygur Autonomous Regional government; the case of Liang Xiang [2733 3276], former deputy secretary of the party committee and governor of Hainan Province, who committed serious abuses of the powers of his office for personal gain. Thirty-six cadres involved were of provincial department and bureau rank, of whom 18 have already been investigated and appropriately dealt with, as, for instance, the case of Wang Yan [3769 3508], former manager of the Xizhai Company in Shaanxi Province, who was guilty of malfeasance in office.

The Ministry of Supervision has also cooperated with some local and departmental supervisory organs in the investigation of major cases. Instances are: The case of Ding Runming [0002 3387 2494], former deputy mayor of Anyang City, Henan Province, who had extorted 8,000 yuan from enterprises to get his son to university; the case of Wei Mingsheng [7614 2484 3932], former commissioner of an administrative office of Ankang Prefecture, Shaanxi Province, who took advantage of a transfer to engage in feasting, entertaining, and accepting presents; and the case of the Municipal Insurance Company of Zhengzhou, Henan Province, which falsely listed insurance premium income.

Supervisory organs of all provinces, prefectures, municipalities, and those assigned to the various ministries of the State Council, also investigated certain violations of discipline by leading cadres, cases that had a major impact in their particular areas and departments. Instances are: The case of Xu Yunian [1776 5940 1629], former chairman of the Economic and Trade Commission, Guangdong Province, who misused the power of his office for private gain; the case of He Jicai [0149 0679 2088], former deputy director of the Agriculture Department, Guangxi Zhuang Autonomous Regional government, who participated in smuggling; the case of Liu Jing [0491 0079], former director of the Adult Education Bureau, and Qu Baoyuan [4234 1405 0337], director of the Finance Department of Hunan Province, who committed serious violations of financial and economic discipline; the case of Lu Senling [6424 2773 0109], director of the Personnel Bureau, Sichuan Province, who misused the powers of his office for personal gain; the case of Peng Baideng [1756 4102 4098], former director of the Forestry Department, Guizhou Province, who embezzled public funds; the case of Li Sen [2621 2773], director of the Water Conservancy Department, Jilin Province, who misused public funds for the purchase and maintenance of houses; the case of Duan Kaisheng [3006 7030 4141], former director of the Bureau of Industry and Commerce, Gansu Province, who accepted bribes.

The forceful offensive initiated by last year's "circular" by the two judicial institutions [Supreme People's Court and the Supreme People's Procuratorate] and the shock it had produced are still fresh in everyone's memory. When we brought up this question, Minister Wei cheerfully said, "According to the directive by Comrade Deng Xiaoping regarding implementation of properly timed large policies, and in order to give all state functionaries who have committed graft and bribery an opportunity to voluntarily confess and make a clean breast of their crimes, we have followed up on the 'circular' issued by the Supreme People's Court and the Supreme People's Procuratorate; said 'circular' called on criminal elements to surrender voluntarily within a certain time limit. Thus, the Ministry of Supervision has issued its own 'Circular Ordering All State Functionaries Who Have Committed Graft or Bribery To Voluntarily Give Themselves Up Within a Time Limit.' The time limit was set as 31 October. Within the time limit set in the circular, over 17,600 persons have given themselves up to the supervisory organs, among them 700 cadres of departmental and section rank, whose law and discipline violations involved a total sum of 116 million yuan. A total of 76 million yuan of embezzled funds has already been returned, as well as some illegally acquired property such as small motorcars, motorcycles, electric home appliances, and silver and gold ornaments. According to regulations, 2,616 persons were dealt with leniently, and 955 persons, whose acts constituted criminal offenses, were turned over to judicial authorities for further action."

All this has undoubtedly had a forceful effect in promoting integrity in government throughout China.

**Launching Investigation of Law Enforcement in the Administration, Promoting a Better Work Style in Government**

Investigation of law enforcement is a fundamental function of and a major measure employed by organs in charge of supervision of state administration. It comprises inspection of efficiency as well as of clean government. Comrade Wei Jianxing told us that the Ministry of Supervision launched an investigation during the past year of the ways in which the CPC Central Committee and State Council policies are enforced with regard to the state policy of improving the economic environment, rectifying the economic order, and deepening the reform. Personnel of the ministry joined in the rectifying of problems in fixed asset investments and in the work of regulating and readjusting corporations, endeavors which had been initiated by the State Council. In order to effect a thorough adjustment of the order in which business is conducted at procurement meetings, to stop the use of public funds for entertainment and presenting of gifts, the Ministry of Supervision, together with the Ministry of Materials, dispatched supervisory teams for the intensified supervision and inspection at material procurement meetings, and they did indeed achieve obvious improvements in the work style at these meetings. The Ministry of Supervision also launched a comprehensive investigation, together with the State Statistical Bureau, the Ministry of Geology and Mineral Resources, the State Land Administration Bureau, and the Legal System Bureau of the State Council, into the ways in which laws concerning statistics, mineral resources, and land administration are being enforced. In many places, the supervisory organs participated in the large-scale investigation of tax revenue, financial affairs, and commodity prices, as well as in the work of scaling down investments in fixed assets, in making dispositions about constructions projects in progress, and in rectifying and readjusting corporations. They also discovered and appropriately handled some instances where provisions of the central authorities were refused implementation. Cases of this nature were: The people's government of Wuxi Municipality, Jiangsu Province, disregarded relevant provisions of the State Council and without authority approved new investments in fixed assets; the Ministry of Light Industry, in violation of regulations, built an office building that exceeded standards, and its subordinate Handicrafts and Art Company engaged in illegal business operations and made a profit of 22 million yuan; Milo Municipality in Hunan Province and Wanrong County in Shanxi Province manufactured and marketed fake pesticides.

According to the disposition of the central authorities, the supervisory organs at all levels launched widespread activities in a variety of forms to promote clean government. Instances of such are: in Baotou Municipality of the Nei Monggol Autonomous Region, in Jianhu County of Jiangsu Province, and in Suning County of Hebei

Province the supervisory bureaus established a system of reporting of assets by leading cadres; Tianjin Municipality, Zhangjiakou Municipality in Hebei Province, and the supervisory bureau of the Ministry of Machine Building and Electronics set up records of clean government for all the major offices that were subject to their supervision; the supervisory bureau of Shanghai Municipality boosted the number of core personnel under its supervision from the 500 cadres of bureau rank to 2,000 persons by including executive staff of large-scale enterprises and industrial units. "However, there are still problems in our work, and it is insufficient," said Minister Wei, "the insufficiencies mainly show in that we have too few clues in our hands regarding major cases and we have investigated and handled too few major and important cases." "We have done not enough work in the investigation of law enforcement in connection with the state policy of improving the economic environment and rectifying the economic order. Especially in its macroguidance, the work of the Ministry of Supervision was not sufficiently prompt, not sufficiently forceful..., developing a supervisory theory has also not caught up with general developments, and policy studies and the setting up of rules and regulations is not yet done to an extent that meets the requirements of actual work."

**Affirming Available Experiences, Clarifying Main Tasks, Advancing Supervisory Work to Higher Levels**

When we asked what new plans there are for supervisory work in the new year, Minister Wei told us that a National Supervisory Work Conference was held in the latter days of December last year. At the conference, the main tasks for the supervisory organs at all levels during 1990 were determined as: First, intensified supervision of law enforcement in connection with the state policy of improving the economic environment, rectifying the economic order, and deepening the reform; second, launching a more thorough struggle against corruption, concentrating energy on the investigation and punishment of major and important cases; third, further promotion of work toward the establishment of clean government. He said, when performing the first-mentioned task, the focus of our attention must be on strengthening centralized and unified effort; we must oppose decentralism, must ensure smooth communication of all government decrees, and must emphatically and energetically launch supervision and investigation of violations of Central Committee provisions in the following four respects, namely with regard to provisions for "cutting down on demand, readjustment of the structure, rectification, and raising efficiency." We must resolutely investigate and appropriately deal with actions that violate law and discipline, which are committed by caring only for one's partial interests and disregarding the interests of the whole, by not following the law where laws exist, by not desisting from action when action is forbidden, or by even going so far as to feign compliance but actually not complying, or by obstructing improvement of the economic environment and rectification of the economic order, or by causing major losses due to dereliction of duty or malfeasance in office.

On the second-mentioned task, Minister Wei said, taking cases under investigation and taking appropriate action in such cases is an effective measure to punish and suppress corruption, and in the disposition of work and assignment of forces, the supervisory organs at every level must continue to give priority to actually taking charge of cases. This year, our emphasis will be on effective investigation and on taking action in cases of the following two types: First, cases of leading state agencies, leading cadres, departments and staff in charge of law enforcement supervision misusing the powers of their offices to engage in trading power for money, and cases of gaining illegal benefits by all kinds of means, such cases comprising, for instance, graft and bribery, misusing the powers of office for personal gain, manipulating power for extortion, and general extravagance and wastefulness; second, such "hot points" where resentment among the general public is strong and that are at the heart of the masses, such as the use of public funds to outfit and maintain residences, the misuse of the powers of office to trade or build houses in violation of law and discipline, having units engage in speculation and profiteering, traveling for pleasure at public expense, and so on. Particular effort must be made to seize on major and important cases of the above-mentioned two types, which have an impact either on the whole nation or on one area or on one department, and which are of a highly disturbing nature. Investigation and punishment in these cases must be strict.

Minister Wei, furthermore, specially emphasized that "the establishment of clean government cannot occur in isolation, divorced from the larger areas of reform, opening up, and economic development. The Central Committee's decision on improving the economic environment, rectifying economic control, and deepening of the reform has a bearing in many of its aspects on the establishment of clean government, and has, furthermore, been clearly incorporated in various policies and provisions. The full implementation of the CPC Central Committee's "resolution," will not only effectively put an end to all the chaotic conditions that prevail in economic activities, but will also be helpful for the radical elimination of corruption.

Finally, Minister Wei pointed out that, in order to do a good job in supervisory work for some time in the near future, it is necessary to base it on the somewhat more than two years of practice in supervisory work and to gain a more unified and higher level of understanding of some of the major problems and greater clarity in the way of thinking concerning this work.

First, upholding the four cardinal principles is a fundamental guarantee for more effective administrative supervision and for effective action against corruption. They are also the fundamental principles that must be observed by the administrative supervisory organs. There are many reasons for the increase and spread of corruption in recent years, but the principal one is still the ideological trend of bourgeois liberalization and the floodlike spread of a kind of "money worship." Second,

the indispensable, important means to achieve stability and unity is resolute action against corruption. The focus of work of all supervisory organs is therefore closely bound up with the core task of the party. Third, we must conduct supervision strictly according to law. The main task of the administrative supervisory organs is supervising administrative organs of all ranks, supervising their working personnel, by having the state's laws, rules, and regulations serve as norms for administrative conduct. This obligation by itself demands of supervisory organs that they handle all affairs strictly according to law. At the same time, administrative supervision must uphold the mass line. This is an important question of principle which will ensure and protect the people's status as masters of their own affairs and ensure and protect the authority for democratic supervision. Supervisory organs of all ranks must arrange in a planned manner and with due preparations for the services of specially invited inspectors from among the members of the various democratic parties, delegates to the CPPCC [Chinese People's Political Consultative Conference], deputies of the NPC [National People's Congress], model workers, specialists, and scholars, and from among other outstanding personalities. In this kind of work it is necessary to strive for real results and to be wary of formalism. At the same time, it is necessary to further improve the way attention is paid to letters and personal calls from the people and to their reports; we must broaden supervisory channels, by, for instance, exploring how to better utilize the supervisory function of staff and workers congresses in enterprises and by strengthening linkage between administrative supervision organs, etc. Furthermore, it is necessary to closely link up with the work of press units, sum up experiences in the progressive reporting on certain cases, and, through the public media, promptly publicize the way important cases are investigated and the punishment in such cases, and so on.

Minister Wei Jianxing said that meeting the needs of the situation and of the further development of our task, further smoothing out and perfecting the organizational system of supervision, and strengthening the contingent of supervisors itself, are also questions that must be viewed as of highest importance for some time to come. Supervisory organs of all ranks form a special organization charged with the administrative supervision of governments of all ranks. The position and functions of supervisory organs determine that its work, on the one hand, overlaps with party disciplinary supervision and the law and discipline supervision, and that it is necessary on the basis of a division of labor in principle that a harmonious coordination be effected, so as to raise work efficiency and for a better effectiveness in the overall organization of the supervisory system. On the other hand, the work of the supervisory organs has certain peculiarities of work target and function, of task limitations and forms of actions that differ from those of the other supervisory departments. It is therefore necessary to energetically pursue the following types of work: First, to establish as quickly as possible sound agencies of



supervisory organs for the counties and higher ranking administrative units; second, to greatly strengthen establishment of supervisory organs in enterprises and industrial units wholly owned by the people; third, to institute a "dual-track system" of supervisory posts, to restore as quickly as possible the posts of supervisory specialists, supervisors, and assistant supervisors. In short, we must give attention to exploration and courageous practice, to make sure, an integration of theory and practice, that supervisory work is pursued on scientific lines and becomes normalized.

The long talk at this one session was a very happy experience. Thus we concluded our interview with Minister Wei Jianxing. The interview enabled us to visualize the dawn of victory for our state's administrative organization in its efforts to establish a government of complete integrity.

#### **Literature, Arts Circles Regroup After 4 June**

90CM0100A Hong Kong CHING PAO [THE MIRROR] in Chinese No 3, 10 Mar 90 pp 48-51

[Article by Hu Wen-ti (5170 2429 3695): "The Beijing Literary Arena Is in a State of Destitution"]

[Text] Since 4 June last year, the literary arena in Beijing has been enveloped in an atmosphere of deadly silence, with the smell of blood in the air. Major investigations and reorganizations are underway in leading literary and art bodies in the capital city. The "major disaster areas" (places and units that are seriously influenced by the ideological trend of "bourgeois liberalization" and that have produced a large number of key reformists) named by the Chinese Communist authorities include the Ministry of Culture, the All-China Federation of Literature and Art Circles [ACFLAC] (particularly the China Writers Association and the Chinese Dramatists Association,) and the Chinese Academy of Social Sciences, as well as their "undertakings," such as magazine offices and publishing houses. This author has reliable information on the checking up of these organs and the purge of those individuals concerned, and the following is a brief account.

#### **He Jingzhi Promoted to Post of Minister With the Backing of Wang Zhen**

Between spring and summer last year, Wang Meng was charged with two "crimes" by the Chinese Communist authorities. One was that he made a big fuss over a minor ailment, staying in the senior cadre ward of Beijing Hospital and refusing to "visit the martial law enforcement troops." The second was that, while in the hospital, he wielded his gifted pen against Chen Xitong and Li Ximing of Beijing—two of Li Peng's trusted men—speaking in defense of the Ministry of Culture and a number of literary personages, and denying allegations that cadres from the Ministry of Culture and affiliated departments had "supported the rebellion." He was accused by leading hardliners of "resisting the investigation." The fact is, around the time of the death of Hu

Yaobang on 15 April, Wang Meng passed on his seal of office to Vice Minister Gao Zhanxiang, asking him to take over all his duties and to act on his behalf. It is believed that Wang Meng did this because he knew that Gao Zhanxiang, having come from a good background and who was "Red and upright," was well thought of by the elder statesmen. It was obviously a proper move to delegate the power of running the ministry to this "essayist" of working-class origin. Before being promoted to the Political Bureau of the Central Committee and transferred to the capital, Li Ruihuan had recommended to influential elder statesmen in Zhongnanhai that middle-aged novelist Feng Jikai [7458 0370 2088], known to his peers as "Big Feng" (standing 1.82 meters tall and having the stature of a basketball player, Feng is currently vice chairman of ACFLAC, chairman of the Tianjin Federation of Literary and Art Circles, and leader of the Tianjin Union of Writers), be appointed Minister of Culture. At that time, a number of elderly leaders of the Central Advisory Commission who appreciated Li Ruihuan's abilities all along were very supportive of this idea. However, "Big Feng," recommended by Li Ruihuan, was no match for He Jingzhi, who had the backing of his father-in-law by Wang Zhen. In the end, He Jingzhi, whose choice was obviously against the policy of "promoting cadres of relatively young age," returned to the scene and was promoted to a higher position. It is said that Wan Li and other NPC [National People's Congress] Standing Committee members had a row with Wang Zhen over this. One of the reasons cited by Wan Li was that the poet He Jingzhi was currently a member of the NPC Standing Committee and it was against regulations for a member of the country's highest lawmaking body to serve concurrently as head of other government departments. Accordingly, Wan Li personally wrote to the NPC Standing Committee asking it to have He Jingzhi removed at a Standing Committee session. It was also said that He Jingzhi probably did not like the idea of having the prefix "acting" added to his ministerial title and, to show his objection, actually wrote to the NPC Standing Committee pleading that he be allowed to keep his post on the Standing Committee. Naturally, this request was vetoed by Wan Li "in accordance with the law."

What is most ridiculous about the whole thing is that, after his dismissal, Wang Meng was invited by the French Ministry of Culture to go to Europe to convalesce, but the invitation was not given any consideration by "the higher authorities." Since the authorities had laid down hard-and-fast rules suspending all transfers until all investigations had come to an end, Wang Meng had no alternative but to "show up when summoned" and join his colleagues in "studying documents" and doing some "rethinking and introspection."

#### **Wu Zuqiang of ACFLAC Demoted**

The situation with regard to ACFLAC is even more ridiculous.

ACFLAC is the highest organ of "literary and art circles," commanding 11 national literary and art associations. Before the disastrous Cultural Revolution, the late literary theorist Zhou Yang was president of this organization. Before 4 June last year, Wu Zuqiang [0702 4371 1730], who was relatively young, was appointed secretary of its party organization. He removed a number of leftists and followed the reform and open policy, and the enlightened and liberal literary and art policy championed by Hu and Zhao. When Xia Yan, another member of the "four fellows" of literary and art circles, was temporarily running the show, factional struggle waged "single-handedly" by the leftist dramatist Zhao Xun [6392 1416] against "liberalization" in the leading body of ACFLAC became more and more acute. Through the efforts of Xia and Wu, this remnant leftist was removed from the ACFLAC party organization. In early 1987, Wu Zuqiang's elder brother, Wu Zuguang [0702 4371 0342], was advised by Hu Qiaomu to withdraw his party membership for having committed the mistake of "engaging in liberalization." Some leftist elements then reported to those elder statesmen who were running state affairs from behind the scene, that this composer-turned ACFLAC party organization secretary had shielded his elder brother and regularly passed on secret information to him. This party organization secretary had also "made a grave political mistake" at a crucial time. It is said that, about the time when Li Peng announced the enforcement of "martial law in parts of Beijing," Wu had personally drafted a sharply worded open letter voicing opposition to Li Peng. The letter criticized the famous 26 April editorial of RENMIN RIBAO, and warmly praised the Federation of Autonomous Student Unions in Universities and Colleges and other groups. Reports had it that, although Wu Zuqiang managed to persuade 30 to 40 noted personages of literary and art circles to jointly sign this open letter, it was not published because, under martial law, all newspapers were controlled by the authorities. Nonetheless, Wu Zuqiang landed himself in serious trouble because of this. According to informed sources, Wu Zuqiang's "organizational affiliation" was transferred back to the Central Academy of Music where he was former president, and he was made a "retired cadre" with neither position nor power. It is also said that Zhao Xun had taken party disciplinary action against him.

The new leading body of the ACFLAC has Lin Mohan [2651 7817 3211], a seasoned leftist literary critic, as party organization secretary, but its day-to-day affairs are run by Meng Weizai [1322 0251 0762], party organization deputy secretary and ACFLAC general secretary, a middle-aged novelist who made his name for his eulogy of "the most lovely persons" on the Korean front. Meng Weizai's rise to power and position is rather extraordinary. He started off as a editor of novels with the People's Literature Publishing House. He was highly thought of by Yan Wenjing [0917 2429 0064], president and editor in chief of the publishing house and a children's writer of the older generation, because he pandered to Yan's taste for the trendy. He was first

appointed editor in chief of DANGDAI, one of the four leading literary and art journals on the mainland, and later was promoted to director of the periodicals section and vice president of the People's Literature Publishing House. When the Organization Department of the Central Committee decided to let some midlevel cadres "resign and go down" to remote border provinces for tempering, he volunteered to go to Qinghai Province, where he was made deputy director of propaganda and chief of the Cultural Bureau under the Qinghai Provincial CPC Committee. He left Xining after three years. His gains from his 1,000-day experience of surviving on "camel meat and milk" were by no means small. Upon his return, he was promoted to the Central Propaganda Department as director of its Literature and Art Bureau. When former Propaganda Director Zhu Houze [2612 0624 3419], who was liberal and favored the "three relaxations," was toppled, Meng became Wang Renzhi's righthand man. He was one of the most active persons at the 1987 "Zhuzhou Conference," which was generally acknowledged as an important gathering of leftists of the literary and art circles. His rapid rise to the position of director of literature and art under the Central Propaganda Department naturally had a lot to do with the "Zhuzhou Conference." It is anyone's guess what the next move will be and against what the spearhead will be directed with a person like him in control of ACFLAC.

#### Major Shifts in the Leadership of the China Writers Association

The China Writers Association, which belongs to the "ACFLAC system" but is on the same administrative level as the ACFLAC, is another "major disaster area." Here, investigation and struggle were particularly rigorous, and the secretariat headed by Tang Dacheng [0781 6671 2052] was almost completely wiped out. Only two of the four editors (including deputy editors) of the official publication of the China Writers Association were able to retain their posts. Xie Yongwang [6200 3057 2489] and Chen Danchen [115 0030 2525] were pushed aside as persons "with problems unsettled" and not given "exoneration." The five persons currently in charge of the China Writers Association are Ma Feng [7456 3536], Ma Laqinfu [7456 2139 3084 1133], Zheng Bonong [6774 0130 6593], Cong Weixi [0654 4850 3556], and Shu Peide [2631 3099 1795]. The first two, both surnamed "Ma" which literary means "horse," are the secretary and deputy secretary of the China Writers Association. When this new lineup was announced last December, people teasingly called this leftist leading group "a carriage drawn by two horses" and talked about "promoting the two Ma's in the Year of the Horse." The old horse Ma Feng is known to the older generation of the literary and art circles as the ringleader of the group of Shanxi "potatoes." When he was defeated by the late Zhao Shuli [6392 2885 3810] in the fight for the good opinion of those in power, he and another Shanxi "potato," Sun Qian [1327 6197], stayed in Taiyuan and made no public appearances for years. Now his fortune has turned and he is able to "show his extraordinary

qualities" in his remaining years. The young horse Ma Laqinfu is a "Mongolian horse." He really has stamina in his leftist temperament. As a novelist of minority nationality, Ma Laqinfu first worked in Hohhot. He was very orthodox in his thinking and was not a scheming person. When Tang Dacheng and Wang Meng were in power, this minority nationality writer was "recruited" to join the bandwagon. Eventually he saw that one could benefit from the struggle between the leftist and rightist factions. At first he tried to please two sides, but he later moved closer to the side of the leftists, a move that enabled him to climb to his high position today.

WENYI BAO and RENMIN WENXUE [PEOPLE'S LITERATURE] are two major ACFLAC publications. They are not only "major disaster areas" that have "committed mistakes," but have a record of personnel "impurities." Xie Yongwang, editor of WENYI BAO, and Liu Xinwu [0491 1800 2976], editor of RENMIN WENXUE, were removed from office. In their place were promoted a group of leftists who always "upheld the four cardinal principles," and a "dual editorial system" was adopted. Chen Yong [7115 8673] (a theorist of literary and art thoughts who was locked in a protracted polemic battle with Liu Zaifu [0491 0375 1788]) and Zheng Bonong (leftist literary and art critic) were appointed editors of WENYI BAO, while Liu Baiyu [0491 4101 5038] (leading figure of leftist army artists and writers and a writer of biographical literature) and Ma Feng were made editors of RENMIN WENXUE. While eliminating pernicious influence in their editorial duties, they also arranged for the publication of writings by leftist writers to give the two journals "a new look." Cong Weixi, who started the "wall literature," not only did not come under attack, but was promoted from his position as president of the Writers Publishing House to work in the Secretariat of the China Writers Association. It is said that he was at first a "bosom friend" of Liu Xinwu, but on discovering that Liu "failed to take a firm stand" in the storm touched off by Ma Jian's [7456 1696] novel on life in Tibet, and that after the Tiananmen incident last summer Liu was regarded by those in power as a dissident for his close ties to his neighbor and good friend Liu Zaifu, he used his "bosom friend" as his "stepping stone" and moved up in the world.

#### Ai Qing Accused of "Supporting the Turmoil"

From the list of the 30-plus Beijing celebrities who have been "put on the shelf," one can also see some of the goings-on. For instance, the internationally renowned poet Ai Qing [5337 7230], who had lived in Yanan for some time and moved to Beijing with the Chinese Communists, has been blacklisted for having "engaged in bourgeois liberalization" and "supporting the turmoil," and has not been given an "exoneration." According to those close to this octogenarian poet, Ai Qing donated some money (possibly only a couple of thousand yuan) to the 1989 "student movement" out of his longing for democracy and love for the patriotic young students. Ai Qing even went to Tiananmen Square in his wheelchair to comfort the fasting students. On one

occasion, Ai Qing and Bing Xin [0393 1800] met at Tiananmen Square. With the hunger strike already into its fourth day, some student strikers fell into a coma out of exhaustion and had to be rushed to the hospital. The two elderly writers were grieved by what they saw. After exchanging a few words, Ai Qing burst out crying and, seeing him cry, Bing Xin also broke into tears. It was thus natural that they became the targets of attack by hardliners like Wang Renzhi and He Jingzhi. Among the other famous writers "put on the shelf" are Feng Mu [7458 3668], Liu Xinwu, Shao Yanxiang [6730 3601 4382], and Zhang Xianliang [1728 6343 0081]. Even well-respected veteran party members Xia Yan, Zhang Guangnian [1728 0342 1628] and Chen Huangmei [7115 5435 3561] are also blacklisted. It is thus obvious that with the exception of Ba Jin and Bing Xin, who are "protected by the Central authorities," the others are all judged according to the leftist yardstick. It is said that even though Wang Zhen has always been very supportive of Ai Qing, he too is unable to do anything.

Another rumor that comes as a surprise to most of us is that the leadership of the Central Propaganda Department and Ministry of Culture are planning to criticize eight (some say 10) leading writers, with Wang Meng on top of the list. It is said that his full-length masterpiece, *The Chameleon*, and another short novel, which is said to "satirize and insinuate government by old people," will be singled out as targets of attack. Zhang Xianliang, who exposed the merciless struggle against the rightists and intellectuals and later devoted his time and energy writing literature centered on sex, is bound to come under attack. It is understood that Liu Zaifu's literary and art theories, Feng Mu's literary and art commentaries, and Liu Xinwu's novels are also typical "targets."

#### Large Numbers of Literary and Art Journals Subject to Investigation and Banning

The story of how Zhao Xun returned to the China Dramatists Association as "head of the home-going legion" to "reclaim his lost territory" is even more amazing. According to Zhao Xun's reasoning and logic, three secretaries of the Secretariat of the China Dramatists Association who were about to step down were typical cases. One of these three secretaries was Liu Housheng [0491 0624 3932], a former underground party member from Shanghai who had always sympathized with "liberalization," and was liberal and open in his thinking (for instance, he repeatedly dispatched Huang Zongjiang [7806 1350 3068] of the China Film Artists Association as representative of the China Dramatists Association on missions to the United States, and in the eyes of leftist writers and artists, Professor Huang was not one who upheld "the four cardinal principles). He reckoned that Liu could be removed as one of the "sinister backstage bosses." The second one was Zhang Ying [1728 4481]. She was Zhou Enlai's secretary during the time of his struggle against the KMT [Kuomintang] in Chongqing and, as such, was on good terms with intellectuals in the Kuomintang-controlled areas. She later lived in Washington for a number of

years as the wife of Zhang Wenjin, former ambassador to the United States. After taking charge of the China Dramatists Association, she put another secretary, Wang Zheng [3769 2973], in an important position on the one hand, and "objectively" supported *The Station, WM, A Magic Prescription*, and other plays that were regarded as "unorthodox" by people like Hu Qiaomu and Deng Lique, on the other. The "political mistakes" committed by this secretary were far more serious than those made by Liu Housheng, and must be dragged down and "paraded through the streets" as a warning to the public. The one who most deserved to be dealt with and punished was naturally Wang Zheng, who recruited a group of "liberal" dramatists and critics into the China Dramatists Association. This chap remained a confirmed rightist after spending years in the Great Northern Wilderness. He gathered forces from eight theaters and dramatic troupes (including army literary and art troupes) in Beijing and, in the name of "experimentation" and "exploration" by the association, staged the play *WM*, which had been given the "death sentence" by the Air Force Political Department and General Political Department. (It is reported that Wang Peigong [3769 1014 0361], the author of this play, was arrested last June and is still imprisoned in Qincheng Prison "pending decision.") This, and the fact that he spoke to foreign correspondents in Beijing on this matter, was proof that he "engaged in liberalization and opposed the four cardinal principles." Sources said Zhao Xun has already reorganized ZHONGGUO XIJU (formerly titled XIJU BAO), the official journal of the association, and removed former editor You Mo [3266 7817], putting leftist opera critic Hao Dashou [6787 1129 1108] in his place. With Zhao Xun back in power in the China Dramatists Association, Wang Zheng naturally found himself in a fix. Even someone with the sort of revolutionary background that Zhang Ying had was unlikely to be able to retain her position. It is said that Liu Housheng may be able to keep his "title" because this chap is more of a weakling, and has some influence as a "former subordinate" of Tian Han [3944 3352].

After the 4 June incident, the dozen plus official publications of various associations under ACFLAC, including ZHONGGUO YINYUE BAO and ZHONGGUO MEISHU BAO, have been banned or closed down for having "erroneously supported (or made statements in connection with) the Tiananmen Square Incident." Except for WENYI BAO of the Union of Chinese Writers, which has undergone thorough reorganization, only one publication, ZHONGGUO SHENGYI BAO, which for reasons no one knows, had not carried a single picture of the demonstrating crowd at Tiananmen Square. BAOGAO WENXUE, which has published a lot of articles exposing the seamy side of the world, has been closed down. This journal, originally named SHIDAI DI BAOGAO, was wrested by liberal members of RENMING RIBAO from the hands of leftist reportage writer Huang Geng [7806 6921] who criticized Bai Hua and his *Unrequited Love*. Liu Binyan's daughter, Liu Xiaoyan [0491 1420 7159], worked in the editorial

department of this publication. Through pleading by Hu Qiaomu who suddenly wanted to change his leftist image, Shanghai's WENHUI YUEKAN [ECOUNTER MONTHLY], edited by Mei Duo [2734 2614] (now replaced for reasons of age), was "given a six-month probation period to see how it fares" (intellectuals in Shanghai called this decision a civilized "six-month suspended death sentence"). DUSHU [READING] (formerly edited by Chen Yuan [7115 0626] and Feng Yidai [7458 0076 0108]), essential reading material for Beijing intellectuals, also has its editorial department reorganized and its ranks of writers sorted out. It is prohibited from carrying articles publishing the thoughts of Tolstoy, Keynes, and Freud, and introducing the writings of Kundera and Ma-er-ke-si [7456 1422 0344 1835].

### The Literary Arena Is a Scene of Destitution

Four writers who joined the demonstrating crowd in Shanghai last summer and marched at the forefront were, in order of age, Wang Ruowang [3769 5387 2598], Huang Zongying [7806 1350 5391], Bai Hua, and Sha Yexin [3097 0673 2450]. (Li Xiaolin [2621 1420 2651] took part on behalf of his father, Ba Jin, but reference to him is omitted here). They all wore badges showing their names and titles. It is now understood that Wang Ruowang was put under "house surveillance" by the Public Security Bureau in July. For reasons yet unknown, he was arrested one night and "detained for investigation" two months later. Huang Zongying is now receiving treatment for "six diseases" in a hospital in Guangzhou. Besides her political predicament, she was also hard hit financially. It is quite true to say that this old lady (she is now 65) has been hit by one misfortune after another in recent years. First, the Dule Entertainment Company Limited which she set up at Shekou in Shenzhen went bankrupt. Then, around August and September last year, her adopted son, Zhou Wei [0719 0251], took her to court for seizing the legacy of his mother, Zhou Xuan [0719 3872]. Huang lost the court case and was ordered to pay Zhou Wei 80,000 yuan. Huang is now applying for appeal. It is said that there are political factors behind Huang's defeat in court. Bai Hua was criticized, but not severely. He is now writing the script for the epic film *The Conqueror of Western Chu* (a coproduction of the Shenzhen and Guangxi Film Studios) and seems rather carefree. Asked why he was able to "slip through the net," he smiled and said: "Perhaps the powers that be want to make me a typical example as a beneficiary of their leniency." As president of the People's Art Theater in Shanghai, Sha Yexin was not given any punishment and was allowed to keep his post after self-examination, self-criticism, and much tear-shedding. This shows that the policy of mollification adopted by the Shanghai party and government authorities is far more successful than the policy adopted by the Beijing authorities.

One simply cannot find any fine pieces of writings in literary and art publications on the mainland. This gives people a feeling of destitution, a feeling of seeing a "patch of white against a background of blankness." The

leadership of literary and art publications has no way of getting hold of good articles, and all they can do is to organize low-quality "articles of criticism." Besides, writers who have any backbone at all will show their "refusal to cooperate" with the new lineup of people in power by shutting themselves up and "pondering over their mistakes." The funny thing is how the director of propaganda, minister of culture, and the new boss of RENMIN RIBAO, Gao Di [7559 3695], feigned compliance with the decision and directive of Li Ruihuan, the Standing Committee member of the Political Bureau who is in charge of ideology. At a meeting (at which Li Ruihuan was not present), they even openly declared: "We would rather leave the literary arena in a state of destitution, with ten thousand horses standing there muted, than let bourgeois liberalization revive." How familiar this sounds! In the past, the gang of four used to say "we would rather have the weed of socialism than to have the saplings of capitalism." How similar the two sound. We cannot but be frightened and shocked by how history repeats itself. But when we think of the next "repetition of history," do we not feel a sense of comfort and pleasure deep down?

#### Science, Culture Fund Set Up in Yanan

OW0705193090 Beijing XINHUA in English  
1509 GMT 7 May 90

[Text] Beijing, May 7 (XINHUA)—With the help of the State Education Commission and other relevant departments, a fund for the development of education, science,

and culture in Yanan, a famous revolutionary base of the Communist Party of China, was inaugurated here today.

More than 100 veteran revolutionaries, including Peng Zhen and Huang Hua who were stationed in Yanan during the revolutionary war, attended the inauguration.

Huang Hua, Ma Wenrui, Zhao Yimin, and Feng Wenbin were elected honorary presidents of the fund, while Mu Qing, Wu Heng, Qiang Xiaochu, and Ma Erchi were elected presidents.

The fund will provide those organizations, groups, and individuals both at home and abroad who are interested in the development of the Yanan area in northern Shaanxi Province, northwest China, with services and collect donations to promote the development of education, science, and culture in the area.

Wu Heng said at the inauguration that he and other old people who lived in Yanan in the glorious old days have the responsibility for making contributions to the development of the Yanan area. Moreover, he stressed, they have the responsibility for educating and bringing up the younger generation in the spirit of Yanan.

In the past year or so since over 50 veteran revolutionaries, including Huang Hua and Wang Renzhong, made a proposal to set up the fund, the preparatory committee has collected a total of 300,000 yuan (63,000 U.S. dollars) in donations.

The fund is based at Yanan University.

### Benefits Accrued From Mobile Militia Contingents

90CM0147B Guangzhou KEXUE WENHUA BAO in Chinese 31 Mar 90 p 4

[Article by Li Licheng (2621 4539 2052), deputy commander, Guangxi Military Region; and Yang Yingyao (2799 5391 5069), deputy chief of staff, Guangxi Military Region: "Need for Changing Ideas About the Building of Mobile Militia Fenduis"]

[Text] Mobile militia fenduis are also termed emergency fenduis. For the sake of convenience in discussion, this article will use the term mobile fenduis throughout. With the deepening of reform of militia organization and training, these contingents are increasingly demonstrating their position and role. How to make the most of their strengths, do more in building ideology, in building organization, and in military training is a new problem. This article will discuss mostly problems in changing ideas.

Ideas go before practice. "We must approach an understanding of the position and role of the militia from the strategic heights; there cannot be the slightest wavering in upholding the militia system and strengthening the building of the militia." (Speech by Chief of General Staff Chi Haotian in August 1989 at ceremonies inaugurating "Modern Chinese Militia.") In talking about the need to change ideas about the building of mobile militia fenduis, we maintain the following:

First is the need to change the tendency to desire quick success and instant benefit, establishing an overall concept instead. If the point of departure or motivation for building mobile militia fenduis is limited to "putting out fires and fighting floods," "waiting" for events to happen, that is clearly off base. Naturally, mobile militia fenduis are founded for use in emergencies, the better to bring to bear the function of the militia in reducing widespread losses. This poses a problem in quick success and instant benefit versus an overall concept. It frequently happens that, in places having many troubles where drought and waterlogging are frequent, no sooner are mobile militia fenduis formed than they are put to use to the admiration of all. In uneventful times, however, people may feel that the building of mobile brigades is superfluous, and that it is better to build a few rather than many, and none rather than a few. Thus, it is necessary to make the building of mobile militia fenduis an integral part of the building of overall reserve forces, making them a part of the "national defense design blueprint," for countering aggression from without, countering subversion from within, doing rush jobs in production during peacetime, and protecting the homeland in wartime. In a county, mobile militia fenduis should be formed for use as an "emergency contingent"; in a township, they should clearly be a "mainstay" force. Only by devoting attention to the building of ideology, the building of organization, and the military training of such units to make fullest use of their role in the building of the two civilizations can the overall concept be truly

expressed. At the same time, it is necessary to place the position of mobile militia fenduis in the overall context of the building of reserve forces.

Second is the necessity to change complacency about present needs for the building of a concept of locating troops in society. In the mobile militia fenduis being formed today, too much emphasis is placed on transportation, communications, and coordination with infantry fenduis to attain the goal of quick mobility, or ordinary soldiers are juxtaposed with key professionals to form a whole, or units are formed as required for nearby entrepreneurial units so as to be able to "come at once when summoned, and to win victory." etc. There is no denying that leaders of a substantial number of units limit themselves to immediate needs, and, thus, their guiding ideology, work methods, and training content are very greatly limited. If this continues, it will be bad for all militia work. Addressing these problems will require straightening out relationships in the following three regards: 1) The relationship between the immediate and the long range. The correct method should be to be ready for the immediate while keeping one's eyes on the long range. By immediate is meant current conditions and immediate emergencies. By long range is meant mostly the issue of locating troops in society. This is to say that the building and training of these fenduis is not only in order to meet immediate needs, but more important is to toughen and improve a group of militia. 2) The relationship between "specialization" and "breadth." Mobility in fact as well as in name naturally depends to a very large extent on "specialization," meaning the "unique mobility" of militia contingents. "Breadth" applies mostly to their quality in many regards. Only if they possess a variety of skills can they deal with a variety of situations. 3) The relationship between being static and changing. Mobile militia fendui personnel have to be both relatively static and also change constantly. Without doubt, these fenduis are the advanced elements among core members of the militia, but as they get older movement will be normal. However, it must be realized that some specialized personnel will have to be retained. So long as they are in excellent political and physical condition, we believe that age limits can be appropriately broadened to retain key cadres.

Third is the need to change the passive situation of "waiting, depending, and wanting," establishing the concept of multiple channels for conducting activities. Doing a good job of forming and training mobile militia fenduis requires support in the form of a certain amount of personnel, money, and equipment. According to the situation as we understand it, with the exception of the manpower problem, which can be solved, there is currently no support in the form of dedicated funds or equipment. Experience in practice shows that this support can be gained through a certain amount of effort. The main channels for it are as follows: 1) Through a coupling of the armed forces and civilian authorities, improving the quality of the militia through the implementation of joint defense plans. The special equipment

of military units may be used to improve the training of militia units, who can also become skilled in the use of military equipment through joint defense exercises. 2) The use of lateral links to solve the problem of operating funds. County and municipal People's Armed Police can link up with forestry, hydropower, and public security units to draw up coordinated plans and administrative measures. Surveys show that some civilian units are glad to spend money to build mobile militia fenduis. 3) The use of locally available materials, accentuating "flexibility" for training and use.

Fourth is the need to turn away from regarding the contingents as a waste, establishing instead a new concept of their usefulness. For mobile militia fenduis to fit in with new circumstances and new peculiarities, to expand while surviving, and to improve while consolidating, they will have to be freed from the shackles of being regarded as wasteful, establishing not only a sense of their usefulness in a micro-sense, but also exhibiting their usefulness in a macro-sense. 1) With regard to military usefulness, mobile militia fenduis in reasonable numbers, of optimum quality, and possessed of quick mobility are able to respond to the needs of modern warfare, but are also in keeping with the country's national circumstances. 2) With regard to their economic usefulness, mobile militia units not only develop in other regards, but also steadily improve in productivity. They are able to carry out grave and highly dangerous missions at maximum speed, employing the best plans for finest results. They are in themselves a creative force that makes a contribution to the building of the nation's economy. In peacetime, they can also contract mountain forests for the growing of cash crops and the conduct of scientific experiments to create wealth directly for society. 3) With regard to their usefulness to society, mobile militia fenduis are both a vanguard for the building of material civilization and a model for the building of spiritual civilization. They transmit new ideas, new ethics, and new mores to make a contribution to the purification of the social atmosphere. They are guards that safeguard social order and protect the tranquility of the borders, serving as a model for the masses. Therefore, the formation and training of these contingents should not be regarded as a waste.

#### **Changde Supports People's Armed Police Units in Hunan**

90CM0147A Guangzhou KEXUE WENHUA BAO in Chinese 31 Mar 90 p 1

[Article by Liu Ping (0491 1627): "A Number of Units in Changde City Vie To Establish People's Armed Police; National Defense Education Demonstrates Its Power; Local CPC Committee Gives Green Light"]

[Text] For quite a while now, with the easing of the international situation and large cutbacks in the armed forces, a wind of withdrawal and merger of military forces has blown throughout society. This has had a

severe effect on People's Armed Police work in grassroots agencies and organizations. In Changde City in Hunan Province, however, the picture is different. Here, not only have grassroots-level People's Armed Police units not been withdrawn or merged, but rather a fine trend has appeared in which a number of units vie to establish armed police units.

Formerly, the Changde Tobacco Industry Machinery Plant had only a full-time clerical worker in charge of People's Armed Police, but the plant manager and secretary repeatedly went to the military branch district and to the Wuling District People's Armed Police headquarters to ask for the establishment of an armed police unit. The Changde Municipal Daqu Liquor Distillery at Deshan, which had fewer than 700 staff members and workers, was not entitled by regulation to set up an armed police unit, but the plant directors thought that, since production capacity had increased during the past several years, and since the militia had shown its worth, an armed police unit would be even more able to play a militia role. After striving to obtain such a unit, finally a People's Armed Police unit sign went up over the main entrance to the distillery. During 1989, Changde's administrative system changed, the subordination of numerous entrepreneurial units changed, and organizations carried out a restructuring. Despite these events, not a single grassroots-level People's Armed Police unit in Changde City was reduced. On the contrary, within a period of several months, 14 armed police units were established in committees, bureaus, and companies under municipal jurisdiction and in units under prefecture jurisdiction. In addition, reports asking for the establishment of armed units from a number of entrepreneurial units such as the wired receiver plant, and the Changde Municipal Distillery at Wuling were sent to military organs.

What were the main reasons that the aforementioned enterprises and units were not carried away by the wind of withdrawal and mergers, but hurried to ask for the establishment of armed units?

First was the launching of defense education for everyone, particularly thorough education in national defense at the leadership level, which intensified the national defense sense of leading cadres at all levels, and heightened their understanding of the work of armed police units. In recent years, municipal and prefecture national defense education committees have emphasized the training of leading cadres in national defense theory. During a period of two years, more than 970 cadres at the bureau level and above received fairly systematic education in national defense theory. The committees also used the convening of meetings such as military discussion meetings, and military committee meetings to provide lively and realistic national defense education.

Second, People's Armed Police units at all levels made sure to make use of the positive role of the militia in the building of the two civilizations; thus, enterprise and unit leaders benefited from the troops. In recent years,



People's Armed Police units at all levels in Wuling District alone organized militia to tackle 1,235 production tasks amenable to shock tactics in enterprises. In addition, they carried out political education of militia and launched "resolved-to-attain-goals" and skills competition campaigns for a general improvement of the political quality and expertise of the militia. In addition, the militia performed outstandingly in fighting drought, preventing floods, and safeguarding social order, earning the deep appreciation of the public and leaders at all levels.

Third is the serious attention and support given to the work of the People's Armed Police of the local CPC Committee and government and of all departments. This

is a very crucial point. In the establishment of People's Armed Police units and the equipping of armed cadres, all units have the vigorous support and full cooperation of city and prefectural CPC Committees and of organization and personnel staffing committees. Furthermore, from the military subdistrict to the prefectural People's Armed Police, the local CPC Committee leaders are extremely respected. They have taken the initiative in fulfilling work tasks that the local CPC Committees have assigned, thereby earning their confidence and support. When the military subdistrict, the prefectural People's Armed Police, and grassroots units call for the establishment of new People's Armed Police units, the CPC Committee and government and all units down the line give the green light.

## EAST REGION

### Fuzhou-Xiamen Cultural Route To Be Developed

#### Fuzhou To Lead Four Cities

90CM0075A Fuzhou FUJIAN RIBAO in Chinese  
12 Mar 90 p 1

[Article by unnamed FUJIAN RIBAO reporter: "A Focal Point for Spiritual Cultural Development in Fujian—Joining Forces To Establish the 'Fuzhou-Xiamen Cultural Route' Sets a Precedent; Fuzhou Is the First To Take Action and Has Already Implemented Practical Plans and Programs"]

[Text] In the joint military-civilian effort to learn from Lei Feng, Fujian's new social project—working together to establish a "Fuzhou-Xiamen Cultural Route"—has already been launched along the Fuzhou-Xiamen Highway.

On 20 February the standing committee of the Fujian Provincial CPC Committee discussed the issue of a joint military-civilian operation to establish a "Fuzhou-Xiamen Cultural Route," and resolved to make it a focal point for spiritual cultural development throughout Fujian this year. The cities along the Fuzhou-Xiamen Road—Fuzhou, Putian, Quanzhou, Xiamen, and Zhangzhou—are requested to study and implement the practical suggestions in the committee's resolution. The General Office of the provincial party committee will make specific contact with the five cities to organize the effort. On 4 March the provincial party committee's leading officials, together with comrades from the committee's General Office and from the Culture Bureau, participated in a "Mobilization Meeting on the Creation of a Cultural Route and 'Bumper-Crop Fields' Along Fuzhou's Fuzhou-Xiamen Route and Fu Avenue," which was convened in Qingkou Township, Minhou County. They exchanged views with municipal, county (district), and township representatives on issues concerning joint management among various trades and businesses and comprehensive administrative measures.

The Fuzhou Municipal CPC Committee and the city government have conscientiously implemented the provincial party committee's resolution. In accordance with its leading cadres' suggestions that "Fuzhou should take the lead in putting this plan into effect, to spur spiritual cultural development all along the line and throughout the city," Fuzhou has established a leading group, set up general headquarters, and is rapidly gathering research on county (and district) leaders and affected departments. In the districts, counties, townships, and villages concerned, Fuzhou has established work teams, organized implementation, and decided to build the cultural route along the approximately 80 kilometers of highway extending from Sancha Street in Cangshan to Xincuo in Fuqing. The intangible conditions along this route have met the requirement for "five advantages"—the route boasts excellent stations, high-quality service, good procedures, exquisite environs, and an improving overall

atmosphere. The grain fields along both sides of the route have become "bumper-crop fields," and both spiritual and material culture are flourishing. Thus, we will begin to see the results of this project by the first of July.

Putian, Quanzhou, Xiamen, and Zhangzhou have also begun to take action; they are studying plans and adopting measures. For the last few days the many organizations, cadres, and individuals along this route have been cooperating closely with troops in the race to plant trees and beautify the area, sweep up trash, and remove illegal buildings. The joint military-civilian effort to build the "Fuzhou-Xiamen Cultural Route" has already set a precedent. It is reported that the general office of the provincial party committee and the Fujian Culture Bureau will convene a conference of leaders from the five cities to urge greater organization and implementation efforts.

#### Editor's Postscript

90CM0075B Fuzhou FUJIAN RIBAO in Chinese  
12 Mar 90 p 1

[Article by FUJIAN RIBAO editor: "Focus on Implementation and See Quick Results"]

[Text] The Fuzhou-Xiamen Highway is a "great window" on the growth of spiritual culture in Fujian. It reflects every aspect of the style and features of our government, economy, and culture, and it is intimately interrelated with the livelihood of the people and with economic construction here. Particularly since we began the process of reform and opening up to the outside world, this route has become a very important corridor for foreign traders and for compatriots from Hong Kong, Macao, and Taiwan to pass in and out of Fujian. It has a direct impact on the image Fujian presents in opening up to the outside world, and it represents both the tangible and intangible aspects of our investment climate. The Fujian Provincial CPC Committee's resolution to make a joint effort to construct a "Fuzhou-Xiamen Cultural Route" is an event of incomparable significance for Fujian's spiritual cultural development and its effort to reform and open up to the outside world. It is also a fact and a benefit that is of interest to the broad masses. Officials at every level along the route must make this effort their first priority, and they must organize and lead the military and civilian workers in enthusiastic action to focus on implementation and see quick results.

#### Jiangxi Cadres Punished for Abusing Privileges

HK0405154590 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 4 May 90

[Excerpt] How do things stand with the investigation of cases involving cadres who have illegally built private houses in cities and towns? The assessment of the work of the provincial leading group in charge of developing a clean and honest government is as follows: the group has basically conducted a thorough investigation of apparent

cases involving cadres who illegally built private houses in violation of the law. The group has made a relatively major breakthrough in investigating and dealing with major cases that have aroused serious public concern. Those who have built private houses in violation of the law have been severely punished; investigation of houses illegally built is proceeding further.

At a news briefing this morning, chaired by Zhang Fengyu, vice governor and deputy chief of the leading group in charge of developing a clean and honest government, (Wu Qiwei), director of the provincial office responsible for developing a clean and honest government, reported on the investigation of illegally built houses, major cases throughout the province, and the future work plan. After the provincial party committee and government gave instructions in April last year on investigating illegally built private houses, governments at all levels province-wide have done many concrete things and surmounted many difficulties, winning the confidence of the people. They introduced the system under which the cadres assume full responsibility for investigating illegally built houses, and leading cadres see to it that their subordinates carry out their assignments. A total of 12,800 cadres have been organized to take part in the work of making painstaking investigations.

Some 11,294 cadres have been found guilty of building private houses in violation of regulations or discipline to varying degrees. Cases involving 10,307 of them have been thoroughly investigated, and closed or will be closed. A total of 198,000 square meters of land and 7,367,000 yuan have been returned to the government. The party and government have taken disciplinary action against 188 cadres involved in the above cases. Of those, 25 persons have been turned over to the judicial organs for punishment according to the seriousness of their cases. (Shi Beiran), member of the (Jinyu) City Discipline Commission; (Shun Zhushou), former head of the Fuzhou Prefecture public security section; (Zheng Longbao), former director of the (Xingan) County People's Congress Standing Committee; (Lu Minxing), deputy director of the Tonggu County People's Congress Standing Committee; (Zhou Weimu), deputy director of the Guangfeng County People's Congress Standing Committee; (Liu Qishou), former chief of the Dayu County public security bureau; (Wan Lanjiao), former deputy chief of the Fuzhou City civil administration bureau; (Leng Baoyu), head of the (Shanggao) City agriculture bureau; and (Li Sunlin), director of the the Xingzi County Brick and Tile Factory all built private houses by abusing their power and harming the interests of the state and collective. Some even took bribes and have been severely punished. [passage omitted]

### NORTHEAST REGION

#### Li Changchun Describes Tasks Needing Cadre Leadership

90ON0444A Shenyang LILUN YU SHIJIAN [THEORY AND PRACTICE] in Chinese No 3, 5 Feb 90 pp 2-3

[Article by Li Changchun (2621 7022 2504) entitled: Leading Cadres Must Set an Example and Put Forth Models"]

[Text] At present, although the improvement of the economic environment and rectification of the economic order, along with the deepening of reform, has achieved some initial success, the economic situation remains quite grim. In confronting the current difficulties, there are many tasks that leading cadres at all levels must perform, and the problems that must be solved emerge in an endless stream. What should be stressed and how should it be stressed? I believe that the task of first importance is setting an example and putting forth models for grassroots cadres and the masses. Setting an example involves taking the lead in being a model, leading one's men in the charge, demanding that what is accomplished by lower levels and the masses first be accomplished by oneself, and becoming a model to be studied by others. We should set an example in the following ways:

1) We must set an example in terms of seeking unity of thinking and knowledge and encouraging a revolutionary spirit.

Leading comrades at all levels must scientifically study and conscientiously analyze the situation and problems presently confronting us, and consciously seek unity of thinking in the spirit of the 5th Plenary Session of the CPC Central Committee. This is an important prerequisite for encouraging a revolutionary spirit and strengthening confidence. It is necessary to fully understand that the present difficulties are the concentrated reflection of deep-seated problems that have been accumulating for many years, and are at the same also difficulties associated with progress. Under the firm and vigorous leadership of the Party Central Committee and the State Council, we are fully capable and have the wherewithal to overcome these difficulties. "In times of difficulty we must not lose sight of our achievements; we must see the bright future and we must pluck up our courage." All pessimistic arguments and ideas of inertia and complacency are mistaken and can only impede our work and confuse our thinking. At present, what we require are methods for overcoming the fear of difficulty and a complaining attitude, methods for pressing forward in the face of hardship, leading the masses to victory over hardship and enabling them to find solutions to problems. For this reason, at present, leading comrades at all levels must first of all seek unity of thinking and understanding in accordance with the "CPC Central Committee resolutions on the furthering of improvement and rectification and the deepening of reform," setting an example by encouraging a revolutionary spirit.

2) We must set an example in terms of arduous struggle, overcoming difficulties and maintaining a strict lifestyle.

Our Party is the vanguard of the proletarian class, our government is a government of the people, and our comrades at all levels are public servants of the people. Serving the people is the only purpose of our Party and government. In confronting the current difficulties, we should first of all consider the people and the masses, always have the interests of the people at heart, be eager

to meet the needs of the masses, and think about the needs of the masses. Using every possible means, we must try to solve the problems within our power and the problems which are closely connected with the everyday lives of the masses. Only in this way will it be possible to win the ardent support of the people and strengthen the ability of the Party and government to solidify support among the masses. In addition, in terms of the individual, we must never forget that we are public servants of the people and, as such, every Communist Party member should be the first to bear hardships and the last to enjoy comforts, an attitude which is especially a virtue of leading cadres. In calling on grassroots levels to maintain a strict lifestyle, leading organs must first engage in arduous struggle. In calling on the masses to overcome difficulties, leaders at all levels must be the first to bear hardships. We must consciously reduce group consumption, stop building hotels and restaurants, not go in for eating and drinking in a big way, and strengthen the construction of an honest government. Particularly in areas with enterprise losses and comparatively greater difficulties, leadership at all levels must share the comforts and hardships of the masses, and set an example by engaging in arduous struggle, overcoming difficulties and maintaining a strict lifestyle.

3) We must set an example in terms of taking the situation as a whole into consideration and strengthening organizational discipline.

"Improvement and rectification" is the major strategic policy worked out by the Party's Central Committee and the State Council in accordance with the resolutions of the 5th Plenary Session. We must resolutely and conscientiously carrying out this policy. In the overall process of improvement and rectification, readjustment and retrenchment are inevitably accompanied by a readjustment in interest relations. Therefore, it is necessary to place stress on centralization and unification, on the strengthening of democratic centralism and organizational discipline, and on the subordination of partial interests to the interests of the whole. Our Liaoning Province has made a major contribution to the construction of socialism in our country. We have overcome difficulties, we have the tradition of taking the situation as a whole into consideration, and in the process of improvement and rectification it is even more necessary for us to carry forward and complete the tasks required by the country for amassing financial resources as well as all other tasks. In the province it is also necessary to cultivate a positive atmosphere for taking the situation as a whole, strengthening organizational discipline and strengthening democratic centralism. It should be said that during the ten years of reform, it is through the mechanism of interest that the enthusiasm of various sectors has been aroused, and the concern of leading cadres at all levels for the interests of their own units, departments and regions is normal, and can be understood. However, things must be achieved on the basis of what policy, law and discipline permit. Particularly when considering the mutual contradictions of partial

interests and the interests of the whole, immediate interests and long-term interests and individual and collective interests, partial, immediate and individual interests must be sacrificed, and the interests of the whole along with long-term and collective interests must be consciously safeguarded. From now on, starting from within our province, we must also require that leading cadres at all levels set an example in terms of viewing the situation as a whole and strengthening organizational discipline.

4) We must set an example in terms of immersing ourselves in investigation and research at the grassroots level, serving the grassroots level and resolving the difficulties of the grassroots level.

There are many problems and difficulties currently facing the grassroots level, and there is an urgent need for guidance and service from higher level departments. Leading organs at all levels must progressively strengthen the standpoint of service for the grassroots, and help the grassroots level to resolve its difficulties. We can by no means stand high above the masses, sitting in offices and guiding grassroots work through documents, meetings and telephone calls. Even less can we sink into the trap of mere social activity such as ribbon-cutting and awarding prizes. Departments responsible for enterprise work and the economic integration departments of each city must carry out the methods offered by leading cadres for helping factories and enterprises. When staff and workers have difficulties, it is necessary to pay them a visit and be solicitous concerning their welfare. For matters of immediate interest to the masses, all existing conditions must be handled properly using all possible means. Through our actions, the profound concern of the Party and government can reach into many households. If our leading organs all set an example by taking a leading role in immersing themselves in investigation and research at the grassroots level, trying to be of service to them and then solve problems, it will be possible to a great degree to mobilize the enthusiasm of vast numbers of cadres to overcome difficulties, to strengthen their resolve and confidence to surmount difficulties, and to maintain close ties between cadres and the masses, thereby greatly changing the situation.

When setting an example, our leaders at all levels also must provide examples, putting forth model and example solutions to problems. In confronting difficulties, individual comrades sometimes face a complaining attitude, fear of difficulty and a dispirited attitude, and hope to find a method to solve the problem but sometimes have a feeling of being at a loss as to what to do. Where in fact can a method be found? The key is that one must look below. Comrade Mao Zedong once said: "The masses are the true heroes" and "A correct understanding originates in practice." The masses contain inexhaustible wisdom and power. The problem is in how the leaders sum up, promote and use the methods and experience created in practice by the grassroots level and the masses to guide work at a higher level and guide

practice. According to the Marxism's theory of knowledge, "truth is discovered through practice, and truth is confirmed and developed through practice." "There is a dynamic development from perceptual knowledge to rational knowledge and from rational knowledge to the dynamic guidance of revolutionary practice." At present what sort of models should be set forth?

- 1) We must set forth a model which is capable of promoting scientific and technological progress, adjusting product structures, and promoting the development of industrial and agricultural production;
- 2) We must set forth a model which deepens rural reform and takes grain production to a new level;
- 3) We must set forth a model which is able to open markets and invigorate sales;
- 4) We must set forth a model which through strengthening management, tapping individuals' potential, increasing benefits, and engaging internal expansion and reproduction;
- 5) We must set forth a model which uses the beneficial conditions of opening to the outside to develop an external-oriented economy and is of service to the policies of improvement and rectification;
- 6) We must set forth a model which reduces losses and makes up deficits and increases surpluses.

If each of our leaders sets an example as required by the 5th Plenary Session, setting forth a model for the grass-roots level and vast numbers of the masses in overcoming difficulties and solving problems, then we will certainly be able to complete the great historical task of furthering improvement and rectification and deepening reform.

### Quan Shuren Gives Guidance to Liaoning Enterprises

90CM0045A Beijing LIAOWANG [OUTLOOK] in Chinese No 9, 26 Feb 90 pp 12-13

[Article by Wang Qixing (3769 0796 2502) and Liu Jinshu (0491 6855 2885): "Quan Shuren Helps Send Factory Manager on His Way"]

[Text] After the convening of the Fourth Plenary Session of the 13th CPC Central Committee, Liaoning Province made a massive effort toward a clean and honest government. Just from last June to the end of last August, the entire province handled 108 economic cases involving party members and punished 229 party offenders, including 71 who were expelled from the party and were tried according to law in people's court.

The aggressive cleanup saw a drastic lessening of improprieties. Especially earthshaking throughout Liaoning was the case involving the arrest of Xiong Jiaqing [3574 1367 1987]. Xiong was manager of the Liaoyang Textile Mill, a government-owned factory employing nearly

10,000 workers and paying an annual profit tax of nearly 10 million RMB [renminbi]. He had received more than 10 achievement awards, among them National Labor Model for the Textile Industry, Liaoning Labor Model, Superior Entrepreneur, Special Labor Model for Liaoning, and so forth. Such a red-hot figure used his autonomous sale authority for government-supplied yarn and cloth to ask for and give bribes. When the case broke, searches brought out 150,000 RMB in cash alone, not to mention eye-dazzling home appliances, woolens, flannels, furs, famous wines, and tobacco.

Xiong's fall aroused lively discussion throughout the community. Some said the targets for anticorruption were specifically factory bosses and managers. Others said there is not a clean factory head. If there are no big problems, there are certainly little ones. "The ones most affected are the factory heads and managers. It is proper to punish the culprits, but where is the dividing line between proper and improper conduct, between energizing the economy and illegal behavior?"

The Fourth Plenary Session of the 13th CPC Central Committee brought up the necessity to think entrepreneurially in political activity. Different concepts of the functions of the nucleus of party organization and of the center position of factory heads also created nervousness among entrepreneurs. Commentators' criticism of "factory management by excellence" also worried some managers. Added to economic drawdown, the enterprises had worry upon worry and did not even dare to order goods. Some even prepared to pull back. According to news from Liaoning, about a third of all factory heads were planning to call it quits.

Quan Shuren [0356 2885 0088], secretary of the Liaoning provincial party committee and a man with long experience in large-scale entrepreneurial work and in factories, felt deeply that a prerequisite to preventing an economic slide was prevention of a thought slide. Particularly needing help would be those embattled factory managers at the first line of battle in revitalizing their spirit. Quan made an in-depth study of six typical cases, considered them over and over until he was convinced he understood them, and then wrote an article, "Pondering the Problem of a Factory Manager's Road to Crime."

He pointed out that Xiong's road to crime started with his wanton use of his authority as factory boss and taking advantage of reform and opening up to make money transactions. The lesson to be learned was that the political functions of the party organization in an enterprise must never be weakened. Strict adherence to the socialist direction was vital in enterprises.

Last National Day this essay was given to all secretaries of the province's party committees in industrial and commercial enterprises, factory bosses, and managers. Thinking that more was needed, he wrote a long letter: "Much debate ensued after the Xiong bribery case came out into the open. Some secretaries and factory bosses harbored suspicions even to the point of being unable to

take the initiative in their work or to stick to reforms. This is an incorrect understanding. Xiong was caught not because he was performing his responsibilities and not because of any fault attributable to reform, but he was greedy and was guilty of bribery. The vast majority of entrepreneurial cadres in our province are good people. This the provincial committee and provincial government firmly believe. Because of lack of experience, some mistakes are bound to be made in the process of reform and of carrying out factory manager responsibilities. The responsibility does not rest only with the provincial committee entrepreneurial secretary or the factory head alone. These are the sum total of lessons to be learned. Xiong's crime is in a different category altogether. There must be no wavering in the effort to reform and open up. The factory head's responsibilities must be strictly observed, problems concerning corruption must be resolved." The letter continued, "We hope that all our comrades will earnestly ponder the question of how, under a new situation, socialist enterprises can be managed well. Your burden is heavy and the hopes of party and country in you are great."

Quan's essay and letter aroused intense reaction in Liaoning's entrepreneurial circles. Debate was heated. Many could not contain themselves and replied to Quan. In his letter, Wei Duanen [1414 4551 1869], secretary of the party Entrepreneurial Committee of Shenyang's Sino-Czech Friendship Factory, said, "Ever since the party Central Committee carried out its administrative reorganization, the enterprise cadres have been unstable in their thought process. Your timely letter has given us an accurate analysis of the situation and recognition of the problem. With determination, we will lead all our workers in bitter struggle and pass through this difficulty together." Xu Youfeng [1776 2589 3488], National Labor Model and manager of Shenyang Electric Cable Factory had this to say, "We have no reason to lean left or right or to lag behind. There are obstacles in front of a brave person and there is light at the end of a tunnel. Our factory bit the bullet, suffered a year, and came out of the low gully. We met the 1989 production target in the time period of January to September with more than 90 percent of the profit tax goal; we are striving to meet the entire year's mission in one more month."

Factory heads and managers concurrently talked about entrepreneurs not only wanting to rebuild an objective

world, but a subjective one. Zhao Xiyou [6392 1585 0645], manager of the Shenyang Gold Cup Automobile Factory, said that no matter in what task, party leadership cadres cannot do without self-control nor can they refuse supervision by the party or the masses. We must remember the party creed and strengthen our immunization. We must be especially alert against starting from private gain, having concerned leadership in name only, and aiding and fostering the reverse.

After resolving the stagnation of thought, Quan and the other comrades on the provincial party committee separately and in unison went on to help detect difficulties at Anshan, Quan explained the spirit of the Fifth Plenary Session of the 13th CPC Central Committee to basic-level and entrepreneurial comrades. He also engaged in dialogue on how to overcome difficulties in the administrative reorganization so that the economy would go on the road to health. He went successively to five or six Anshan enterprises of various sizes, cutting open for study two "sparrows," a rubber factory and a glass factory. These were two famous losers in Shenyang. After a fervent and difficult struggle shared by cadre and worker alike, one is profitable and the other hopes to be in the black by yearend.

Quan happily summed up these two by saying, "All our enterprises, particularly losers, should be treated like these two. Some businesses understand reform only as profit and take no initiative. If money is denied from above, nothing is done. Actually, reform is promotion of profit and eradication of corruption. What hinders entrepreneurial progress at present is not organization alone, but the decline in management and product quality. Our difficulties are great indeed, but so is the potential. There are some managers now who answer material consumption questions with a 'one question, three don't know' stance. They don't know the real state of their business, they don't know its past history, and they don't know the standard for their business. This will not do. A thorough reform requires stronger management and technical improvement."

At present, most of the factory heads and managers of Liaoning Province are picking themselves up. They will firmly punish corruption, step up efforts to clean up government and make deep reforms, revitalize business, and, with the cooperation of the massive labor force, pass through this difficulty.

### Li Teng-hui Suspected of 'Independence' Leanings

90CM0061A Taipei TZULI WANPAO in Chinese  
1 Mar 90 p 2

[Article by Chen Cuilian (7115 5050 5571): "Li Teng-hui's Foreign Policy and Mainland Policy Called Into Question"]

[Text] Severe criticism of Li Teng-hui's "independent Taiwan" leanings is one of the key attacks on his policymaking. Because of this emotional and ideological bias and because of an opportunistic competition for power, since becoming president Li Teng-hui has consistently failed to win the trust of KMT [Kuomintang] members on this major sticking point.

It is reported that when Legislative Yuan member Yu Muming [7599 1970 2494], a self-styled "one-and-a-half generation mainlander" who has been critical of Li Teng-hui, submitted his resignation as assistant director of KMT Union Affairs, the new director, Xiao Wanchang [5618 5502 7022], asked him to stay on, and Yu directly replied, "Li Teng-hui basically cannot forge a mainland policy, so what reason is there for us to keep working for the party?" and expressed his extreme dissatisfaction with Li's policies.

The other day, Chen Lu'an [7115 1462 1344], minister of economic affairs, caused an uproar in Taipei political circles as a result of a talk on cabinet affairs. It seems that Chen Lu'an has been expressing his worries to people in business and industrial circles about Li's "independent Taiwan" leanings, and he publicly indicated that the president's government was preparing materials relating to a mainland policy, and "this time President Li ought to clear up all the rumors about the 'independent Taiwan' and 'Taiwan independence' aspects of these mainland policies!"

In fact, for the past two years since this Taiwanese president was reelected as the nation's leader, there have remained misgivings about his various policies among supporters and people in power. For example, there was the decision to send Minister of Finance, Shirley Wan-jung Kuo [6753 1238 1369] to Mainland China to take part in the annual meeting of the Asian Development Bank, and Kuo's attitude toward the Chinese Communist flag and its national anthem; and when Li Teng-hui accepted an invitation to visit Singapore, he was referred to as "President Li from Taiwan," a statement he said was "not completely satisfactory, but acceptable." All of these incidents have caused fear and suspicion among some members of the KMT who feel strongly about the mainland; of these, the attitudes of the military have been the most obvious.

Since this long accumulation of distrust has given rise to an anti-Li camp which is spearheading the opposition movement, they attack Li Teng-hui's foreign policy and mainland policy as using the excuses of "flexibility" and "realism" to hide the reality of making an "independent

Taiwan," even to the extent of gradually achieving the goal of "Taiwan independence."

Li Teng-hui's supporters vigorously refute these attacks; they explain that Li Teng-hui's foreign policy is to utilize "flexibility" and "realism" to ensure Taiwan's survival and to return to the international arena. Because of the necessity of keeping it confidential, the official communications involved in the decisionmaking process to participate in the Asian Development Bank meeting were not available to public scrutiny. In fact, this action was unanimously approved by both the government and the people.

In view of the basic differences in ideology and sentiment, there is no way that Li Teng-hui's foreign policy and mainland policy could be unanimously understood and accepted by the KMT. The "independent Taiwan" tendency has become an easy label that Li Teng-hui's opposition uses, and yet it is also a challenge that must someday be faced.

### Gang of Four, Taiwanese Style

90CM0061C Hong Kong MING PAO in Chinese  
9 Mar 90 p 9

[News Report: "Democratic Progressive Party Delegate Liu Wen-hsiung Says Taiwan has Gang of Four"]

[Text] Taiwan Democratic Progressive Party (DPP) delegate Liu Wen-hsiung [0491 2429 7160] at yesterday's meeting of the Legislative Yuan said that the electoral faction of Lin Yang-Kang [2651 3152 3263] and Chiang Wei-kuo [5592 4885 0948] and the faction which is seen as supporting them, Executive Yuan Premier Li Huan [2621 3562] and Defense Minister Hao Po-ts'un [6787 2672 2625] are a Taiwan-style "gang of four," which is plotting to take advantage of the presidential and vice-presidential elections to have a bloodless coup. After the coup, they plan to consolidate the reigns of political power and create a political upheaval in Taiwan.

Liu Wen-hsiung in his speech indicated that, when Lin Yang-Kang was the interior minister, he clearly said that "Within three months we'll make the window-grill industry bankrupt," and yet he allowed them to swindle a lot of money. Because Chiang Wei-kuo denied that Chiang Ching-Kuo said that members of the Chiang family would not become president, he created the new term "running but not competing for office." Li Huan is creating the false image of democracy, "the authentic magician." Li Wen-hsiung also criticized Hao Po-ts'un for saying that the military would not get involved in political struggles, but he invited military personnel to a National Assembly dinner, which was clearly improper.

Liu Wen-hsiung also distributed pamphlets at the meeting which described how the "gang of four" were all "mid-dynasty imperial officials" who "don't know how to expend their efforts for the sake of the progress and stability of society, but rather are taking advantage of Taiwan's not quite mature political structure, using the



language of democracy but really ganging together to commit clandestine and illegal acts."

### Juvenile Crime 'Major Social Concern'

90CM0061B Hong Kong TA KUNG PAO in Chinese  
11 Mar 90 p 4

[Article by Yue Bu (1471 2975): "Numbers of Juvenile Criminals Exceed Twenty Thousand"]

[Text] According to statistical data from Taiwan's Ministry of Justice, juvenile delinquency cases totaled 20,104 in all districts last year, an increase of 1,835 over the previous year; criminal cases increased by 480 and adult cases increased by 1,355.

The data indicate that theft was the most common of the criminal cases, with 729 cases, followed by 711 robbery cases and 205 murder cases. Theft was the most common adult case with 12,748 people; cases of causing injury or violating weapon regulations numbered 1,593.

Breaking down the crimes by age group, 17-year-olds constituted the largest group of criminal cases, at 812; 14-year-olds were the largest group of juvenile cases, at 3,756. Of particular interest is the fact that, out of 5,311 adult cases, over one fourth were in the under-14 age group.

In terms of perpetrators of crimes, 27.94 percent of criminal cases were individual perpetrators, and the rest involved accomplices. 37.49 percent of adult cases were individuals.

The main causes of juvenile crime were said to be family and societal factors; in the case of adult cases, family reasons accounted for 46.16 percent of deviant behavior.

In light of the growing seriousness of juvenile delinquency and the threat to public order, the Ministry of Justice recently invited representatives from concerned departments, specialists, and scholars to a "Symposium on Controlling and Preventing Juvenile Crime." The participants pointed out that the roots of crime lie in youths' leaving their families and dropping out of school, but, so far, cities and districts have been lacking in the appropriate organizations to deal with them; when they return home, because no appropriate measures have been taken to provide guidance, they will run away again and become drifters. Because of this, each district should establish a juvenile halfway house to take in drifters and children from broken homes in order to reduce the factors that cause juvenile delinquency. The participants also proposed the planning of a youth guidance organization to draft guidelines for the investigation, planning, and implementation of more effective measures to reduce juvenile delinquency.

Taipei Mayor Wu Po-hsuing [0702 0130 7160] on 5 March opened the meeting of the "Taipei Coordination Council for the Prevention of Theft and Violent Crime". Wu Boxiong said that because efforts to assist dropouts and unemployed youth have not been effective and the

seriousness of juvenile crime has become a major social concern, crime control and prevention efforts are becoming more important and all involved in these efforts must vigorously adopt effective measures immediately to alleviate the juvenile crime problem. The council urged the Ministry of Education to completely open up school athletic and recreational facilities to neighborhood youths without affecting students' education, in order to let young people work off their excessive physical energy. At the same time, they should tighten up control of electronic game parlors to reduce children's and young people's use of these parlors and other underground establishments, thus reducing their opportunities to commit crimes.

### Open Letter to National Assemblymen

90CM0119B Taipei TZULI WANPAO in Chinese  
18 Mar 90 p 5

[Article in the "Ku Ling" Special Column: "Assemblyman, Assemblyman, I Love You"]

[Text] My beloved delegates to the National Assembly:

Eminent persons should really be treated each as a single unit of his own, but here I, a small townsman, will break the rule and take you as a group, or, excuse me, should I rather call you a "dui" [(1018) heap, which is homophonous with "dui" (7130), contingent], as in "rubbish heap," and take the entire heap as my respected objective. This is really because all of you [the writer uses the character "zhu" (3727), pig, which is homophonous with and similar to "zhu" (6175), all of you]—excuse me, I should have written "zhu" [6175], as otherwise all the "zhu" [3727—pigs] of the country will protest, thinking that I had the intention of insulting them [the pigs]—because all of you have in recent days given forth utterances that really shocked heaven and earth, made ghosts and goblins weep, caused a great sensation, were unprecedented and unrepeatably, and unavoidably filled people with profound respect for yourselves. Moreover, all of you, big rascals, small rascals, are like one big bunch of robbers to the country. We understand that if people band together for robbery, they will all be executed, whether gang leader or gang member. Therefore, my respectful greetings, and may I simply ask you altogether to please graciously accept my humble offering.

A few days ago you planned to lock out the assemblymen of the DPP. At first, I thought your intention was merely to avoid having "outsiders" present and taking a share when you received the rumored bribe of 10 million yuan per vote, and that is why you thought of a way to "clear the area." I never thought your stomach, or rather what is a little above the stomach, your mind, is so ambitious that you would ponder nothing but the problem of prolonging good government and extending peace under the country's constitutional system. Along with all the other small, simple-minded common people of the country, I too used to belittle your significance too much! For instance, you helped yourselves to raise salaries and

attendance allowances to 220,000; what does that really matter? Nobody seems to know that the families of those of you who have passed on receive condolence money (this is truly extending benefits to the descendents and perpetuating remembrances!), that overseas delegates receive stipends for air fare (no wonder that there are so many people in front of the National Assembly arranging their trips overseas!), and that you also receive monetary assistance for constitutional governing (under two titles, one is for providing urine-collecting bags and the other for wheelchair pushing). Every time a meeting is convened, 300 million yuan of the hard-earned money of the taxpayers is used up. For how many years have the Taiwanese taken it quietly, since after all the state is your state, not ours. Whatever you want to do, whichever way you want to spend money, is, of course, in order and absolutely as it should be.

For instance, you have decided to convene one of your meetings once every year, which is being very considerate of the interests of the state. We all know that the mortality rate among old assemblymen is very high. Without a roll call once a year (to encourage old assemblymen to attend, it is worth spending another 300 million), how would we otherwise know how many are still left? If, by chance, six years from now the presidential candidate respectfully asks for the vote and it is discovered that some old assemblyman has already died and can no more help us "consolidate the central leadership," would that not be cause of anxiety and great confusion in the world? Moreover, on Yangmingshan the air in early spring is chilly, and a cold, rainy wind is blowing. Bringing the old assemblymen up the hill once a year to submit them to the "ultimate torture" (pronounce this in the Taiwan dialect [it would then read "lien di" (0407 6688) and have the meaning of "giving them a hard time"] and to give some of them "a send-off," that would also help achieve the objective of reflecting the entire National Assembly at an early date. You have really given much thought to this matter.

As for the rights of initiative and referendum, they are, of course, even more self-understood. Because the Legislative Yuan cannot chase the DPP assemblymen away, there are quarrels almost every day during the sessions, the rate at which matters under deliberation are settled is very low, and several important bills are delayed and never discussed. Of course, many assemblymen who are concerned about the state and the people find it intolerable and finally decide to exercise the said two rights. Laws that the Legislative Yuan will pass in future can be subjected to referendum and can be turned down. You can also exercise the right of initiative for laws about matters which the Legislative Yuan has not considered—for instance, anyone not respectful to assemblymen should be sentenced to nothing less than death. This country, in which nobody really abides by the law, and even more so because there are two different legislative systems, is full of mutual contradictions and a country in complete chaos. At such a time, you can call out the

"gendarmierie" [the Chinese characters contain the character "xian" (2009), constitution] to protect the "constitution" and have them beat up, good and bloody, anyone who does not obey the law (including those pitifully wailing legislators), to uphold again the justice of constitutional government, and restore social order. Hasn't that been your cherished desire all this time?

And, to extend the tenure of those small thieves to nine years, that is an even wiser act, because in this way when the amounts of pay are increased without regard for qualifications, all will be guilty together, mutual feelings will be so much deeper, and there will be complete harmony among all of them. Furthermore, after completion of tenure, tenure may be extended another nine years, or 18 years, or for life. Everybody is "driving himself and working until death," why worry whether they are actually driving the entire people to death? And as soon as this grand example is established, representatives of the people's will in all other levels of government, such as provincial, county, and municipal assemblies and people's delegates of villages and townships, will now be able to emulate it. All will automatically extend tenures of office. From now on there will be no elections in Taiwan, then there will also be no turmoil of any kind, nor the jarring noises, the clamor for the old assemblymen to quit their jobs. A "rule by old thieves, a country's unity restored," what a peaceful and moving great scene!

All my beloved national assemblymen, excuse the stupidity of all the people of the country! They say you, who are working so hard and meritoriously, should all be killed. Don't they know the old moral: "Who steals hooks is killed as a crook, who steals another's kingdom is made a duke." Since your Taiwanese compatriots, "in full cooperation and with unity of purpose" have not interfered with you, allowing you to get things to this state of affairs, the ones that are to be condemned are they and not you. You still have the sacred mission to elect the president!

### Entrepreneurs Want Direct Trade With Mainland

90CE0109A Taipei CHING-CHI JIH-PAO in Chinese  
23 Mar 90 p 3

[News Report: "Looking Forward to Frank, Honest Talks On Economic and Trade Policy for the Mainland"]

[Text] In line with the opportunity provided by the economic and trade facts on the two sides of the strait and by the industrial requirements, industrial circles earnestly hope that, after this presidential election, the government will as fast as possible promulgate its economic, trade, and investment policies for the mainland, clearly stipulating the interrelated methods and principles. Besides the government's letting entrepreneurs freely go to the mainland for inspections, the industrial circles hope that the government will gradually permit the entrepreneurs to engage in direct trade and direct

investment on the mainland, and will open up direct air and sea routes to the mainland.

Figures in industrial circles think that the policies of the government are always "slow half-beats" and that the policies lag behind already existing facts. They hope that from now on, when policies are formulated, the policy-makers will take a forward look and for the future make policies in advance according to the opportunities, so that the entrepreneurs have some basis in the future on which to rely.

#### **It Is Still Best That Investment in the Other Side Be Indirect**

Hsu Sheng-fa [6099 0524 4099], director of the National Industrial Council of the Republic of China, thinks that the fact that industrial and commercial circles can now go to the mainland to make professional inspections is a breakthrough in the policy toward the mainland. In fact, the industrial and commercial circles hope that there will be a clear economic and trade policy, which will be the basis, not to mention their wanting to reunify China economically. Therefore, a more forward-looking mainland policy is necessary.

The petrochemical, plastics, and rubber industries point out that, after the presidential election, in the economic and trade interchange between the two sides, first of all the opening up of direct trade should be considered; next, regarding investment on the mainland, with the status quo balance it is still best that it be indirect, but the amount of international specifications should come under lenient provisions in order to recollate and redefine them from the angle of elastically dealing with practical work.

Circles in the petrochemical, plastics, and rubber industries say that it is already an accomplished fact that a large number of "lower reach" tertiary processing industries have gone to the mainland and set up factories. The rules for economic and trade interchange between the two sides cannot remain at the present stage; otherwise, in the form of competition in entrepot trade, in not too long a time the secondary processing as well as the "upper reach" raw materials factories remaining on the mainland will find it difficult to escape the sad fate of a recession.

#### **Plastics and Rubber Processing Industries Hope for an Opening Up of Direct Sea and Air Links**

South Asia Plastics and Rubber and other secondary processing industries stress that with regard to the secondary processed products of plastics, rubber, leather, and cloth produced by these industries, because of the restrictions on their direct trade, their competitive superiority on the entrepot market is continuing to fall. Therefore, after Li Teng-hui was elected to be the new president, he should examine in detail the way trade is conducted between the two sides and see whether direct sea and air links can be opened, so that the domestic plastics and rubber secondary processed products can be

directly shipped to the opposite side. In this way, not only will the raw materials for the tertiary processing industries be supplied at stable and appropriate prices, but also the secondary processing and raw materials factories will be able to carry on their business and further pursue industrial upgrading.

Lin K'un-chung [2651 0981 6988], director of the Taiwan Regional Feed Industry Trade Council, thinks that, after the general election, the government should as fast as possible formulate a policy on mainland investment in which the investment methods and principles are clearly defined. Otherwise, those who abide by the law will obey the government's prohibition on investment on the mainland, and will not dare to go to the mainland to invest there; and those who do not abide by the law will openly go to the mainland to invest there, and also will not see the government impose a specific punishment for doing so, thereby causing unfair competition, which will make those who abide by the law dissatisfied.

Lin K'un-chung pointed out that the success or failure of mainland investment totally depends on what the entrepreneurs do. It is not necessary for the government to bear the entrepreneurs' business burdens. Provided the government clearly promulgates the methods and principles for mainland investment, and conscientiously implements them, the industrial and commercial circles will have laws to follow and there will be a principle for fair investment.

Lin K'un-chung thinks that the animal husbandry and feed industries on the mainland are waiting to be developed, but with the government's rule prohibiting investment on the mainland, the indirect entrepot feed trade is in vogue. Some entrepreneurs, although disposed to invest on the mainland, do not dare to act rashly. Therefore, it will be a tactic that will aid the feed industry's foreign investment, if the government, after the general election, can promulgate a policy on mainland investment.

#### **Let the Industrial Circles Freely Evaluate the Advantages and Disadvantages**

Wu Chen-chia [0702 2182 1367], the director of the Taiyuan Textile Corporation, a large textile mill in Taiwan, said that he is afraid that opening up mainland investment is a trend of the time and circumstances, and that the government wants to block it but cannot. However, at the present stage the policy on mainland textiles is to encourage the export of "lower reach" finished products like readymade clothes and to not welcome exports of raw cotton, yarn, and unfinished cloth. Therefore, it is not of great help to Taiwan businessmen who are disposed to go to the mainland and set up yarn and cloth mills.

Chen P'ei-lin [3088 3099 7207], general director of the Tsefeng Chemical Industrial Cotton Textile Mill, who is familiar with the investment environment on the mainland, pointed out that the mainland has workers of the

same language and same race, and it is fairly easy for management to be far away from the workers in the Southeast Asian region. As for what some people say, namely, that the mainland's bureaucratic system is inefficient and its port transportation is backward, these problems can be avoided in a Southeast Asian country. Therefore, opening up mainland investment would mean an increase in the opportunities for cotton textile circles to go abroad and set up mills. However, before going to the mainland to set up mills, they should make on-the-spot inspections. After all, it is better to see once than to hear a hundred times.

Yu Wen-hung [7411 2429 1738], Ch'en Yu-p'u [7115 3768 3877], Cho Ch'ing-po [2715 3237 3134], Chan Cheng-t'ien [6124 2973 3944], Chuang Ying-t'ien [5445 5391 3944], Chuang Ying-chih [5445 5391 2535], and Kuo Mu-sheng [6753 2606 3932], representatives of the textile manufacturers on Taiwan, suggested that the government give the industrial and commercial circles complete freedom to go to the Chinese mainland and inspect the markets there.

Yu Wen-hung and the other entrepreneurs, without prior consultation, said that a forthright, forward-looking mainland policy is a policy that the industrial and commercial circles, who face industrial model transfers and bottlenecks in moving overseas, urgently yearn to see. Turning a blind eye is not as good as changing the obscure to the clear and letting the industrial and commercial circles feel at ease, under circumstances in which there is no political trouble, in correctly appraising the commercial opportunities on the two sides of the strait.

#### **Research Data on the Mainland Suitable for Being Made Public**

It is understood that specialized textile organizations and trade unions, including the Textile Development Society, Artificial Knitwear Union, Artificial Knit Processed Silk Union, Silk Knit Goods Union, and Cotton Spinning Union, all hope to form delegations in the near future that will go to the Chinese mainland to inspect the markets there. In addition, specialized textile organizations on the Chinese mainland side have invited Taiwan textile magnates to take part in an international conference to be held in Beijing this year. If, after the presidential election, the mainland policy is immediately made forward-looking and clear, the entrepreneurs think that not only will this satisfy the businessmen's curiosity about inspecting the mainland markets, but will also bring the hope that, with a more serious inspections and comparisons, the industry's vitality will be extended.

The Sanyang Industrial Corporation expressed its hope that after President Li's election he will at least pay attention to the following two points in the mainland policy:

1. Give the enterprises a clear policy, which will let the businessmen do their business with clear principles and policies and make a correct evaluation of the future.

2. Make public the helpful, interrelated information on mainland investment that the government has on hand, for example, research data that the Central News Agency [CNA] has or that a ministry has that will not cause harm to national defense and security. This is because for a firm to garner this information itself would be a waste of time and energy, and the information would not be integrated. Therefore, it is a case of "if you know the enemy and know yourself, you can fight a hundred battles with no danger of defeat." The government should help the business circles to understand the mainland, just as the Japanese government and industrialists on their own volition help all the major commercial societies and enterprises in Japan to get all types of commercial information. It is no wonder that when the Japanese invest abroad they are sure of great success.

#### **Encourage Nongovernment Organizations To Reside in China and Coordinate Matters**

A responsible person of a motor vehicle manufacturing plant, who was unwilling to give his name, said: "Don't let us again 'fight a muddled battle' on the mainland." He hoped that President Li would be able to open up, to an appropriate measure, direct investment on the mainland by industrial circles, because, under the existing laws and decrees, in the form of "overseas subsidiaries" or "paper companies" alike, the goal of directly investing and setting up factories can be attained. However, the process is one in which the investment is passed through another party, letting a third country in on the exploitation and also letting it "strip off a layer of skin" from the firm concerned, which is very disadvantageous as far as the risks and added costs are concerned.

This motor vehicle boss suggested that President Li face the mainland issue with an open mind and candor, and realize that there is no harm in considering the opening up of industrial investment which has no misgivings about national defense and security.

Chang Kuang-po [1728 1684 0590], chairman of the board of Liangchi Enterprises, pointed out that businessmen have always been able to calculate accurately, and that economic and trade activities cannot be stopped by the government's policy. Taiwan businessmen are now going to the mainland in an endless stream, and this is an indisputable fact. Therefore, after President Li takes office he should swiftly open up direct investment.

Chang Kuang-po said that the special economic zones now set up on the mainland's coast are a form of capitalism, and, therefore, the longstanding political opposition between the two sides of the strait should be alleviated by these economic forces, and opening up direct trade will be equivalent to paving the way in the long term for China's reunification.

In addition, Chang Kuang-po stressed that the government can uphold the "Three No's" [no contacts, no negotiations, and no compromises] policy, but it should encourage nongovernment organizations, and especially

for the nongovernment forces, promote the revision or readjustment of rules on the economy and trade between the two sides that are detrimental to Taiwan businessmen.

### **New Tide Faction Views National Affairs Conference**

90CM0119A Taipei TZULI WANPAO in Chinese  
25 Mar 90 p 2

[Article by Lin Chuo-shui (2651 8289 3055), chief commentator of HSIN CHAOLIU [NEW TIDE]: "Turning Truth Into Falsehood and Falsehood Into Truth"]

[Text] Ever since the "National Affairs Conference" [NAC] was proposed, people have placed too high hopes on it."

It was a student movement on the largest scale since the end of the war, a historically unprecedented "anticonstitutional monster" movement by the Legislative Yuan, provincial, municipal, and county town assemblies, not to mention the fact that it was forcibly brought about by a joint mobilization enacted by the DPP [Democratic Progressive Party] in cooperation with social groups. Originally, the National Assembly had called the conference, apart from the purpose of electing the president and vice president, to resolve such important problems as dealing with the "temporary provisions" [effective during the period of communist rebellion], the length of tenure of the president, popular election of provincial governors and mayors of municipalities, and even the relationship with the mainland. Unexpectedly, apart from going through with the elections, nothing else could be resolved. On the contrary, by a sudden change of identity the conference became a "constitutional monster" itself, exploding the most serious constitutional crisis of the last 40 years. When a "National Affairs Conference" had been proposed at this juncture, it was actually given the function of resolving the problem of the constitutional monster that we have. That proved to be overtaxing its capacity. Under these circumstances, the students and the masses obviously withdrew from the demonstration grounds.

However, once the students and masses withdrew from the demonstration grounds, the NAC was a great disappointment for the people, even before there had been time to officially install its preparatory committee.

### **The Masses Had Definitely Not Expected Too Much**

Looking at the all-encompassing "three major topics for discussion" initially revealed by the KMT [Kuomintang], considering the duration of the conference and the method of constituting the conference, as jointly arranged by the President's Office and the Executive Yuan and later imposed from the top by the preparatory committee, and looking at the conclave who had been designated in advance, we see that the prearranged function of the NAC was totally to be a senseless "National Construction Conference." It will be nothing

but another large political "bai-bai" [an annual traditional Taiwanese festival], where the people are allowed to freely vent their anger, but afterward everyone will stick to the old ways of doing everything. If its function and composition are to be like this, there is extremely little likelihood that the DPP will participate.

Several scholars familiar with KMT affairs have come forward and warned people not to have too high hopes for the NAC, as otherwise disappointment would be great, and, contrary to all hopes, it would initiate new political clashes and yet another political crisis. They spoke of it with utter despair, but their despair was, of course, also mixed with anxiety and concern. However, Taiwan has now reached the impasse that although the old order is about to collapse, the new order has not yet been established. Expectations for the NAC were expectations of a new order. They were ardent expectations, but the idea of the KMT in convening the NAC was to use it to gain a respite, and, by applying some skillful patchwork, to be able to resist the new order of things. Their attitude is foolish and inconsiderate. At the NAC the KMT will perhaps only superficially go through the motions by putting forth on its own initiative such overripe plans as the direct election of mayors for Kaohsiung and Taipei, but at the same time will prevent any true reform. However, even though it might not yet be possible to establish the new order, the collapse of the old order is as unrestrainable as a river that is breaking its dikes. The result of it all, therefore, is that if the expectations of the people are not realized there is the danger of new clashes, and whether there is despair or anxiety and concern, the results will all have to be accepted.

The present mass movement demonstrated that if the road of the masses is effectively pursued, it is a most powerful weapon. Although the KMT, faced with this weapon, was able to carry out its plan of gaining a respite, the effect will only be temporary. As for the masses who have retreated too early from the arena, they may now be sighing over having been too easily taken in by the KMT's "sincerity," too early called off the battle, and thus missed raising their bargaining chips, but the opportunity and the means still exist.

Although it is now temporarily impossible to enlarge the mass movement, popular resentment is building up. Moreover, there is another line apart from the mass line, namely the line of a defiant parliamentary fight, especially in the Legislative Yuan. This has not all died down, but is retaining its momentum and growing more violent with the passing of time. It is the source of increasing energy for the next round of the mass movement, and, just like the defiant fight in the National Assembly, in the last month it has also led to mass movements.

This simultaneous defiant fight within and outside the political establishment—to which must be added the internal struggle within the KMT—has led to paralysis in the "constitutional monster." The defiant fight by young

and old now going on in the Legislative Yuan and the unavoidable internal strife within the KMT have also brought the deliberative functions of the Legislative Yuan close to paralysis. As the situation develops, there is every possibility that this will turn into another "constitutional monster." By that time, the Legislative Yuan, in the same manner as the National Assembly, will lose all legitimacy, and the mass movement will again be mobilized for action.

Originally, the KMT extremists of the right were most anxious to take advantage of the time before the complete reelection of the National Assembly, and, relying on the majority of the old legally constituted authority, to set up a cabinet system and thereby usurp all power. "Democracy" would have been their slogan, and their force would have been irresistible. With this all-powerful party, hopefully empowered by their self-styled democratic party, they would compel the old rascals into retreat and thus safeguard their own position; that too would have been irresistible. All this conforms to the principles of power politics; the fight would, of course, be fierce. In a state of structural instability and with a rapidly changing society, these things are indeed unavoidable.

#### **The Constitutional Monster, a Matter of Common Knowledge**

If things will develop in this way, we already have a fairly clear grasp of how the NAC will develop.

Although understanding is actually not at all uniform among the general public regarding proposals to amend the "temporary provisions," or the formulation or amendment of the constitution, and also regarding a basic law, there is at least the following common knowledge: "Separation of powers" is incompatible with the "Wu Yuan" constitution, the constitution of the five separate branches of government. This unmanageable constitution, apart from becoming the supreme headquarters of the "constitutional monster," is of an altogether unsound design as to the presidency, cabinet system, responsible government, the powers of examination, and so forth, all possibly the products of the political calamity. Let us not even mention the question of suitability when these things were transferred to Taiwan, despite the fact that the climate did not agree with them, which created such curiosities as a province that is as large as its country, a country that has only one province, and an inability to get assembly delegates elected according to the provisions of the constitution.

The conclusion that we arrive at from this common knowledge is: Even if the "temporary provisions" are abolished, that would not resolve the problem. Everyone says that we should return to the constitution, but the five-power constitution is not something worth returning to. Even from a most conservative standpoint, the constitution would still need amendment, and its entire body would have to be changed to be acceptable. It must be changed not only to suit the political and social

conditions of Taiwan, but any amendment would also have to get rid of some of the eccentric ideas of Sun Yat-sen. (It is the teachings of Sun Yat-sen that constitute the very "spiritual foundations" of the Constitution of the Republic of China.) If the fundamental spirit would be cut out, would that still be an amendment or would it be setting up a brand-new constitution? That is yet another question.

#### **Abolishing the Temporary Provisions, a Continuing Problem**

Since there is this common knowledge, what is now necessary is the problem of how to go about it, and there is no further need for idle talk. The NAC should, therefore, be a constitutional conference. That alone would conform to the position that the general public had envisioned for the NAC.

Since this should have been its position, there would have been no need for empty and vague discussion of political reform, as scheduled in the "three topics for discussion." The "unified accomplishment of the great undertaking" [euphemism for "retaking the mainland"] is a daydream of the KMT, which it best enjoys privately after locking itself up. It must not be introduced at the conference, as otherwise everyone would certainly kick up an endless row about it. Topics for discussion at the NAC should concentrate only on the problem of the new constitution. This is of course a large topic, and there would, therefore, be no need to hastily call the conference for around 20 May. As long as it is held before the end of this year, it would be satisfactory.

#### **Delegates to the NAC Should Be Elected**

After defining the NAC in this manner, we may go on to discuss the problem of its composition.

Since the NAC is being engendered at a time when the National Assembly has lost its legitimacy, that is, has lost its qualifications to represent the people, and lacks the power to deal with the pressing problem of the constitution, the majority of delegates to the NAC should be entrusted by the people with the powers to deal with the question of the constitution, and this should be done through an election. This would be the only way to impart binding strength to conference resolutions and not make it a conference of empty talk. The election details should be determined by the "preparatory committee." And what about the composition of the "preparatory committee"? It would best be set up according to the following four principles: 1) It should be composed of persons recommended by the KMT and the DPP and others who are jointly agreed upon by the two parties. 2) KMT delegates must not make up more than half of its members. 3) The proportion of delegates from each party must be determined according to the ratio of total votes in last year's election to the Legislative Yuan. 4) The preparatory committee must have members from socially underprivileged groups.

To explain somewhat the fourth item, namely the socially underprivileged groups: What Taiwan is now faced with is not only a collapse of the political order, the economic order too is in a state of unprecedented chaos. The way political power is now being used as monetary power is becoming increasingly serious. The disparity between rich and poor is rapidly widening. The danger of social conflicts is growing day by day, and the formation of groups among the underprivileged masses is now ascendant. If they do not participate in the establishment of the new political order, the overall situation will certainly deteriorate.

The way the KMT is running the NAC seems to imply that they can dispel popular resentment with empty talk, that they can lead the people on to trivial discussions and have the true reform expectations come to nothing and be a mere sham, namely to "turn reality into sham." But what we want is to make use of the Legislative Yuan and build, step by step, another kind of "constitutional monster," even by bringing about an opportunity to paralyze the whole constitutional organization of the

central government, "turn sham into reality," and have the NAC become a constitutional conference.

#### **Complete Riddance of Conservative Ways**

Would this not be too lofty and too ideal a target? True, this target is certainly lofty, but we have no alternative. Moreover, it is a target that certainly can be attained. Actually, from the end of last year until now, politics have been changing in a thousand ways, everywhere exceeding expectations, based on the 40 years of experience of Taiwan's society. In this overall situation, it is only by being imbued with new ways of thinking that we can resolve our problems, that we will not fall into utter confusion when things do begin to happen. This transformation of the overall situation is fraught with danger but also fraught with hope. The largest resource is the awakening of the masses of our people. In the face of such changes, there is no way of again following the conservatives and manipulators of the past. What is urgently needed is a complete and wide-open field of vision. A new legal-political order will be born out of this new vision that will be gained in the wake of the new constitution.