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# **China**

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# China

JPRS-CAR-89-086

## CONTENTS

16 AUGUST 1989

### INTERNATIONAL

#### GENERAL

- Potential Effects of Summit With Soviets Discussed [GUOJI ZHANWANG No 8, 9] ..... 1  
    'International Impact' ..... 1  
    Significance of Normalization ..... 2

### POLITICAL

- Questions for Nation's Future Posed by '4 June Bloodbath' [Hong Kong MING PAO 6 Jun] ..... 5  
Intellectuals Discuss Political Reform [Hong Kong CHING PAO No 141] ..... 5

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

- Two Main Reform Proposals Viewed [JINGJIXUE ZHOUBAO 18 Jun] ..... 11  
Journal on Strategy for Deepening Reform [JINGJI YANJIU No 5] ..... 13

#### PROVINCIAL

- Fujian Governor on Economic Work [FUJIAN RIBAO 10 Jun] ..... 24

#### SMALL-SCALE ENTERPRISES

- Suzhou Township Enterprises Confront, Counteract Difficulties  
[ZHONGGUO XIANGZHENQIYE BAO 26 May] ..... 25

#### FOREIGN TRADE, INVESTMENT

- Shortages of Material, Funds Result in 'Multitude of Problems'  
[Hong Kong WEN WEI PO 14-15 Jul] ..... 27

#### AGRICULTURE

- Anhui Vegetable Exports to Japan [ANHUI RIBAO 2 Jul] ..... 28  
Rapeseed Area, Procurement in Anhui [ANHUI RIBAO 15 Jun] ..... 28  
Guangdong Sugar Output, Area [NONGMIN RIBAO 20 Jun] ..... 28  
Hebei Implements New Special Product Tax Collection Method [HEBEI RIBAO 9 Jun] ..... 28  
Hubei County Issues IOU's to Farmers [JINGJI RIBAO 22 Jul] ..... 30  
Inner Mongolia Crop Area [NEIMENGGU RIBAO 12 Jun] ..... 30  
Declining Input Detrimental to Jiangsu Agriculture [JINRONG SHIBAO 28 Mar] ..... 30  
Jiangxi Paper Mills Set Up Forest Bases [JIANGXI RIBAO 24 Jun] ..... 31  
Shandong Party Secretaries on Alleviating Rural Problems [LIAOWANG No 13] ..... 32

### MILITARY, PUBLIC SECURITY

- Missile Technology Training Simulator Developed [GUANGMING RIBAO 24 Jun] ..... 36

**REGIONAL**

**CENTRAL-SOUTH REGION**

Guangdong Executes 18, Imprisons 66 Criminals [*Guangzhou Radio*] ..... 39

**TAIWAN**

Authorities Accused of 'Double Standard' in Handling Dissidents [*TZULI WANPAO 14 Jun*] ..... 40  
Student Criticizes Response to Tiananmen Incident [*TZULI WANPAO 13 Jun*] ..... 42  
Biodata on Huang Ehr-hsuan, Minjin Party Hopeful [*TZULI WANPAO 18 Jun*] ..... 43  
CUL's Declaration on Tiananmen 'Tragedy' [*TZULI WANPAO 8 Jun*] ..... 44  
Outlook for Unification After 'Tiananmen Bloodbath' [*Hong Kong MING PAO 10 Jun*] ..... 45

## GENERAL

### Potential Effects of Summit With Soviets Discussed

#### 'International Impact'

40050564 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 8, 23 Apr 89 pp 3-4

[Article by Tang Jiongming 3282 8741 2494: "Normalization of Sino-Soviet Relations and Its International Impact"]

#### [Text] The International Impact of Normalized Sino-Soviet Relations

China and the Soviet Union are major socialist nations. The new developments in Sino-Soviet relations and the normalization of relations between the two nations have already had an enormous impact on both Asia and the world, and will continue to do so in the future.

First of all, let's examine the effect of Sino-Soviet normalization on relations between the "three superpowers"—the United States, the Soviet Union, and China. The United States is extremely worried about developments in Sino-Soviet relations, fearing that overly warm relations between the Soviet Union and China would place the United States at a disadvantage. For this reason, U.S. President Bush made a visit to China on the 25th and 26th of February, getting there in advance of Gorbachev's visit and the normalization of Sino-Soviet relations. By making China his first official trip after assuming office, President Bush underscored the importance the United States attaches to its relations with China. At the same time, because of improvements in both Sino-Soviet and Sino-U.S. relations, the political stratagems that used to define the relationships among the "three superpowers" are gradually giving way to economic-based relations founded on the five principles for peaceful coexistence.

Second, normalized Sino-Soviet relations have had a strong impact on improving Sino-Indian relations. For many years, India has drawn support from Soviet strength in helping it contend with China, and the Soviet Union has made use of India in its efforts to contain China. The Soviet Union has given India large amounts of aid, as well as selling to India advanced MiG-29 fighter jets and leasing advanced nuclear submarines. Improved Sino-Soviet relations have caused India to change its attitude toward China. From 19-23 December 1988, Indian Premier Rajiv Gandhi made a 5-day visit to China, signing a cooperative agreement for science and technology, civil aviation, and cultural affairs, thus further improving Sino-Indian relations.

Third, improved Sino-Soviet relations will have an enormous impact on the Asia-Pacific region. The Japanese press pointed out that normalization in Sino-Soviet relations will promote stability on the Korean peninsula

and hasten the course of peace in Indochina. As Sino-Soviet relations improve, Vietnam will withdraw troops from Kampuchea and the Soviets could further increase their trade with the Asian-Pacific region. With the normalization of relations between the Soviet Union and China, Indonesia and Singapore will restore and build their foreign relations with China, and both the peace in and the economies of Southeast Asia will see further development.

Fourth, normalized Sino-Soviet relations will promote reconciliation and cooperation among socialist nations. On 18 January 1989, Cuban Foreign Minister Isidoro Malmierca made a formal visit to Beijing. This visit represented the first step in the direction of real reconciliation between China and Cuba. Mongolian Foreign Minister Gombosuren formally visited China on 28 March 1989, the first time a Mongolian foreign minister has visited China alone since the two nations established diplomatic relations in October 1949. During his visit, he met with China's foreign minister and exchanged views on relations between the two nations and international matters of joint concern, and they signed pertinent documents to further improve relations between China and Mongolia. China's relations with the socialist nations of Eastern Europe were normalized long before normalization of Sino-Soviet relations.

#### Characteristics of Sino-Soviet Relations in the New Age

Normalized Sino-Soviet relations benefit construction of China's four modernizations and bodes well for peace in Asia and the world. It carries with it tremendous significance. However, normalized relations between China and the Soviet Union do not imply the complete eradication of every contradiction and problem. Nor can relations between the two nations and the two parties ever revert to those heady days of brotherly alliance in the 1950's. Thus, given normalized Sino-Soviet relations, what will be the main features that result from developing Sino-Soviet relations?

First, the development of long-lasting and stable friendly neighbor relations founded on the five principles for peaceful coexistence will become the guiding principle for relations between the two nations. At his meeting with the president of Finland on 13 October 1988, Deng Xiaoping said: "In the future, after relations between China and the Soviet Union become normalized, the two nations should establish new kinds of political and economic relations based on the five principles for peaceful coexistence. Normalized Sino-Soviet relations will not damage our relations with other nations." At his 2 December 1988 meeting with Foreign Minister Qian Qichen, Gorbachev indicated that: "The Soviet Union is willing to establish a new kind of relationship with China based on such principles as peaceful coexistence."

Second, a primary feature of the new Sino-Soviet relationship in the new age will be expansion of mutually beneficial economic exchanges and cooperation. At the

same time, we must also keep in mind that, with the new age of Sino-Soviet relations being guided by economic cooperation, elements of competition will be present.

Third, weakening of ideological viewpoints will be the inevitable trend as relations between the two nations develop. In this present age, the two great tides of peace and development reflect the highest interests of the people of all nations of the world. China proposed early on that attention not be placed on similarities and dissimilarities between various social systems, but rather we should order international relations based on the five principles for peaceful coexistence. This indicates that deemphasis of ideological viewpoints in Sino-Soviet relations has become an inevitable trend for objective development. A related issue is that relations between parties will be relegated to a secondary position in favor of relations between the nations themselves.

Fourth, after normalization of Sino-Soviet relations, contacts between the two nations in the military realm will take on a lower level and will steadily be deemphasized. In today's world we are already seeing an overall trend toward dialogue replacing confrontation and relaxation replacing tension. This paves the way for more dispute resolution via political means. At the same time, history teaches us that neither a Sino-Soviet political bloc nor a military alliance between the two nations is likely to recur.

#### Significance of Normalization

40050564b Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 9, 8 May 89 pp 3-5

[Article by Gu Ji 4474 4949: "Wrapping Up the Past, Paving the Way for the Future—An Article Written on the Eve of the Sino-Soviet Summit"]

[Text] In a few days, the Sino-Soviet summit, an event that has attracted the focus of worldwide attention, will be held in Beijing. On that occasion, Deng Xiaoping and [Mikhail] Gorbachev, two dynamic political stars at the close of this century pregnant with meaning, will sketch the contours of a new blueprint for Sino-Soviet relations.

Perhaps it is an historic coincidence that it happens to be 40 years from October 1949 when China and the Soviet Union established diplomatic relations until this summit, attended by the leaders of the two nations. The intervening period has seen three summit meetings of transitional significance attended by the leaders of the two nations. If we say that the meeting between Mao Zedong and Stalin in 1949 led to a Sino-Soviet alliance and the 1959 meeting between Mao and Khrushchev led to a breakdown in Sino-Soviet relations, then this meeting between Deng Xiaoping and Gorbachev will lead to comprehensive Sino-Soviet normalization on a new foundation.

This February, Comrade Deng Xiaoping met with visiting Soviet Foreign Minister Schevardnadze and established an overall goal for his later summit with Gorbachev. That goal is namely: "Wrap up the past and pave the way for the future." This signifies that we must not reentangle ourselves in disputes over questions of rights and wrongs of the past, but should sum up the lessons to be learned from history and put our relations, beginning now, on a reliable foundation.

#### Wrap Up the Past

At his meeting with Schevardnadze, Deng Xiaoping also said that if we are to resolve the issues that confront us we must recognize the past. This does not mean, however, that we must revive old points of contention. Rather, we must recognize, remember, and consider the lessons that we can learn from them, so that we can move forward and pave the way for the future. So, what lessons from the 40 preceding years are we to sum up and bear in mind?

First of all, we cannot draw upon similarities and differences in ideological views to determine how friendly to be with each other.

China and the Soviet Union are both socialist nations as well as neighbors that share a 7000-plus kilometer common border. In the 1950's, at a time when the peoples of both nations triumphantly sang the strains of the "Moscow-Beijing Alliance," China treated the Soviet Union with the respect befitting a "big brother" and the Soviet Union naturally treated China as its "little brother." This kind of "brotherly" relationship between the two nations actually made ideological views paramount and this became a decisive element in the relations between the two nations.

However, as is true with national interests, ideological views often contain high degrees of instability. Thus, if we predicate relations between the two nations on completely ideological foundations, then, when the ideologies of the two nations are the same, relations will be intimate. Once differences appear in their ideologies (this was formerly a regular occurrence), relations deteriorate, and nations may even become bitter enemies. Don't the past 40 years of Sino-Soviet relations amply bear out this point?

Historical teachings tell us that national relations can only rest on a foundation of mutual interests. Although the national systems may be similar, by no means does systemic unity signify unity of interest. Thus, we cannot simply replace the national interests of the respective nations with ideology and, consequently, place national relations on a fragile and unstable foundation. In wrapping up the past, we should eliminate ideological factors from the standards that go toward determining national relations. At a minimum, we should greatly reduce the effect of ideology.

Second, socialist unanimity cannot replace the independence and self-initiative of each nation. Socialism is the first social system in the history of mankind where there is no exploitation of man by man. People have come to regard this system as perfect and flawless. People have particularly emphasized socialist unanimity and have deliberately concealed differences among themselves so as to spotlight the superiority of the socialist system and protect cohesion among socialist nations. The actual result of this is usually that the independence and self-initiative of the respective socialist nations is neglected or wiped out. This, to a large degree, has been the source of the contradictions between the Soviet Union and China. Socialist nations are all sovereign nations and each has the right to act with self-initiative and to determine independently the course it will take with regard to both international and domestic affairs based on the interests of its own people and the people of the world. If undue emphasis is placed on unanimity, then it is easy to be used as a pawn by certain larger nations and to force one's views on the people. At times this may even become an excuse for meddling in the internal affairs of other nations and, thus, the independent sovereignty of other socialist nations is harmed. In the history of Sino-Soviet dealings, there are ample instances of this point, and in wrapping up the past we should correct this practice and place primary emphasis on mutually respecting the right to independence and self-initiative.

Third, we cannot use general characteristics to conceal specific characteristics. The Soviet Union was the first nation in the world to establish socialism and it is also the only superpower that is fit to contend with the United States. In the past, other socialist nations, including China, often idealized the Soviet Union. While establishing socialism in their own nations, people often failed to rely on their own concrete circumstances and took the Soviet path as their path. They viewed the Soviet political and economic models as the only models for the establishment of socialism. In the eyes of many Chinese, the Soviet Union of today would be the China of tomorrow. The result of this concealment of the specific characteristics of the respective socialist nations through the use of the so-called general characteristics of socialism was that we were tremendously harmed. To a large extent, the reforms that we are carrying out today are necessary to correct the rotten fruit resulting from imitation of the Soviet model. As we now engage in wrapping up the past, we should do well to learn from this lesson. The national conditions of China and the Soviet Union are different. Each can learn from the experiences of the other in construction and reform. However, there absolutely cannot be any imitation. Though certain practices may be effective in the Soviet Union, they are not necessarily suitable for China. We should travel our own path in accordance with our own national conditions.

### Paving the Way for the Future

Some say the wheel of Sino-Soviet relations has come full circle in these 40 years—namely, from normalization to strained relations and back again to normalization. However, whether one views it from the standpoint of current international conditions or from the foundation of normalized relations between the two nations, this normalization of relations is in no way a historical recurrence.

The world is presently in an important transitional period. The postwar spectrum defined by the United States and the Soviet Union is now undergoing changes and the world is becoming multipolarized. Under these international conditions, there is no way that normalized relations between China and the Soviet Union signal a path of renewed alliance. We can only build on a new foundation that is completely different from that of the 1950's. In his meeting with Schevardnadze, Deng Xiaoping repeatedly stressed that Sino-Soviet relations of the future should be a new kind of political and economic relationship built on the foundation of the five principles of peaceful coexistence. What, in the end, are to be the specific items included in this new kind of relationship?

First of all, China and the Soviet Union must have mutual respect for the national interests of the other. The goal of any nation in its diplomatic relations is to protect its own national interests. Currently, both China and the Soviet Union are placing primary importance on the construction of their domestic economies and both urgently need long-term international peace so that their domestic development may occur. Arriving at a long-term peace in the international environment is undoubtedly in the national interests of both nations. Thus, this must become a key item in future Sino-Soviet relations. Both sides must work hard to eliminate unfavorable elements that would threaten the other or even influence world peace.

In addition, the guiding principle in Sino-Soviet relations must be the five principles for peaceful coexistence. In the past we considered the five principles for peaceful coexistence to be applicable only as a standard for relations between nations employing different social systems, but not suitable for relations among socialist nations. We felt that among socialist nations the principles should be even higher. For example, things such as proletarian internationalism were advocated. However, this sort of sweeping formulation was susceptible to many different explanations, and not only could it not truly become a standard for national relations, but at times it had the reverse effect of leading to various contradictions. Practice has shown us that, because the various socialist nations have different standings and different interests, when ordering the relations among them, we similarly need clear standards and we need the internationally recognized five principles for peaceful coexistence. Strife, and even armed conflict can occur

among communist leaders and among socialist nations if the five principles for peaceful coexistence are not practiced. If the five principles for peaceful coexistence are practiced, even nations with different social systems can peacefully coexist on friendly terms. In the past 40 years, this has been thoroughly shown time and again. With the new kind of Sino-Soviet relations founded on the five principles for peaceful coexistence, not only are we in accord with the basic interests of the peoples of the two nations, but also we are in unison with the interests of the international proletariat.

Third, normalized Sino-Soviet relations are to be predicated on not harming third-party nations. The Sino-Soviet alliance of the 1950's was a result of the then-current international conditions. Today there is no way this kind of alliance could ever be repeated. Also, while the United States and the Soviets were locked into a phase of tense confrontation, China announced to the world: "We will neither play a card in the game of U.S.-Soviet relations nor will we allow anyone else to play the 'China card.'" Now, we have improved and developed relations with the United States, Western Europe, and Japan, as well as many neighboring nations. From the standpoint of national relations, our relations with these nations are as equals. Thus, normalized Sino-Soviet relations cannot harm the relations of either with a third nation, and that includes the United States. Not only does China wish to maintain friendly relations with both the United States and the Soviet Union, but China also welcomes further improvements in U.S.-Soviet relations.

#### Far-Reaching Effects

Historians who give an account of the 20th century will be compelled to recall the great efforts expended by both Deng Xiaoping and Gorbachev in normalizing relations between the two great nations. Although Sino-Soviet relations began to loosen up as early as 1982, real progress was not made until Gorbachev took the helm and proposed his "new thinking." With adjustments in the foreign policies of the Soviet Union and China, the development of reforms, and the progress made in removing the three major obstacles, the conditions for normalization ripened daily. The Yugoslavian COMMUNIST weekly described this in the following way: "The Sino-Soviet icebreaker, propelled by new thinking

and thorough political and economic reforms, has broken through numerous icebergs that have blocked the way to Sino-Soviet relations over the last 30 years."

Undoubtedly, normalized Sino-Soviet relations are also a major element of Deng Xiaoping's call for a new international political order. Thus, the normalization of Sino-Soviet relations, its significance, and its effect, becomes self-evident.

At the same time that Marx's great communist theory made its way to the East in this century and achieved a series of successes, it also met with unprecedented setbacks and challenges of enormous dimensions. China and the Soviet Union are both carrying out reforms in order to look for and build a new socialist model superior to modern capitalism. And normalized Sino-Soviet relations undoubtedly provide an important channel for exchange between the two nations and substantial reform. At the same time, in the realm of economics both sides can learn from the strong points of the other to offset their own weaknesses, and the prospects for cooperation are indeed broad.

As for the world, normalized Sino-Soviet relations will affect, above all, the Asian-Pacific region. Relations between large nations in this area will no longer be built simply from the foundation of mutual confrontation, and as for the other nations in this region, they will now enjoy more room for political maneuvering and more choices in their foreign policy. This new situation will surely be of great assistance in allowing the entire Asian situation to make a turn for the better.

Currently there is an international view that feels that normalized Sino-Soviet relations are bound to create conflict in Sino-U.S. and Sino-Japanese relations. Actually, Sino-U.S., Sino-Soviet, and Sino-Japanese relations all develop according to their own laws, issues, and problems, and are not determined by the relations the other has with a third nation. On the contrary, as relations between the United States and the Soviet Union begin to warm up, normalized Sino-Soviet relations not only will not do harm, but actually will further developments in Sino-U.S. and U.S.-Soviet relations. In light of the fact that both the Soviet Union and China wish to strengthen their economic relations with Japan, normalization of Sino-Soviet relations will be of assistance in furthering the economic, commercial, and scientific and technological cooperation between China, Japan, and the Soviet Union.

### Questions for Nation's Future Posed by '4 June Bloodbath'

40050574b Hong Kong MING PAO in Chinese  
6 Jun 89 p 3

["After the 'Counterrevolutionary Rebellion'"]

[Text] On 4 June 1989, a "counterrevolutionary rebellion" of unprecedented cruelty broke out on Beijing's Tiananmen Square.

"Counterrevolutionary rebellion" is the term used in the news reports of Beijing's People's Central Television Station to refer to the 4 June bloodbath. The term "counterrevolution" was, of course, used in accordance with the definition of counterrevolutionary crimes in the Criminal Code of the People's Republic of China. The present writer also feels that the bloodbath was a "counterrevolutionary rebellion." However, I give the term an entirely different definition. The basic objective of the student movement, which started with activities to mourn the death of Hu Yaobang, was to achieve democracy and freedom. The students, with the hope that the Chinese Communists might thoroughly remold themselves, adopted nonviolent methods to promote reform, and did not insist on overthrowing the Chinese Communist regime. Nevertheless, from the perspective of orthodox communism, this was an out-and-out violation of the basic principles of "democratic dictatorship of the people" and "leadership by the party." Therefore, it can be said that this movement was, in effect, a "revolution." Therefore, the reactionary rulers decided to oppose this bloodless revolution, and deliberately instigated rebellion in order to trigger a "counterrevolutionary rebellion."

Although this "counterrevolutionary rebellion" was of unprecedented cruelty, it was not without historical antecedents. In fact, it belongs in the same category as the Tiananmen Incident of 5 April 1976. Deng Xiaoping corresponds to the Mao Zedong of 1976; Li Peng to Hua Guofeng; Hu Yaobang to Zhou Enlai; and Zhao Ziyang to the earlier Deng Xiaoping.

However, there are several important differences between "the first Tiananmen counterrevolutionary rebellion" of 1976 and "the second Tiananmen counterrevolutionary rebellion" of 1989. First, the young students of yesteryear who mourned the death of Zhou basically opposed Mao, but not necessarily communism. Awareness of democracy was at a relatively low level. The young students of today who mourned the death of Hu were in fact opposing communism, but not necessarily the communist regime. Awareness of democracy has reached a high level. Second, although Mao Zedong in 1976 had one foot in the grave, his military power was not under any threat. In 1989, Deng Xiaoping is seriously rivaled by the so-called "Yang clan generals," and faces the ever-present threat of a grab for power. Third, in 1976 Mao Zedong dared only to send toughs to attack the masses in Tiananmen Square with wooden staves

and there were not too many casualties. The Deng Xiaoping of today insanely ordered regular troops to fire on unarmed masses, and there are reports that he even sent troops to Beijing University. There were more than a thousand student casualties.

This sort of bloody repression was completely unnecessary. The students had occupied a part of Tiananmen Square for six weeks without seriously affecting public order in Beijing. Before the troops entered Beijing, the majority of the students had already left, and those who remained planned to leave by 20 June at the latest. What harm would it have caused to allow them to stay for 2 more weeks? Even if authorities were determined to clear the square at the earliest possible date, what need was there for such bloody methods? When the students in the square announced their willingness to obey orders to depart, why were the students relentlessly pursued and killed? Regardless of who carried out the massacre, the highest policymaker was undoubtedly Deng Xiaoping. This "counterrevolutionary revolution" was the violent, completely inhuman action of a dictator willing to treat his people as the enemy. That a leader of the people who once enjoyed their enthusiastic support should become their despised enemy is his personal tragedy, and the misfortune of all Chinese people.

After such a traumatic turnabout, the future of China causes great worry. There are innumerable short-term problems to be faced, but for the long term, a basic question remains: Is it actually possible to take the road of "peaceful reform within the system"? Can the Chinese Communists be made to completely remold themselves by becoming democratic and modernized? Is it possible that the Chinese people will have to take the road of "violent revolution from outside the system" in order to completely overthrow the Chinese Communist regime and "set up housekeeping all over again"? The answer to this question lies in the hands of the Chinese people, and especially in the hands of those Chinese people who hold membership in the Chinese Communist Party.

### Intellectuals Discuss Political Reform

40050500 Hong Kong CHING PAO [THE MIRROR]  
in Chinese No 141, 10 Apr 89 pp 28-32

[Article by Lu Yue 0712 2588: "CPC Losing Legitimacy"]

[Text] At this meeting, one elderly man and five young intellectuals engaged in a dialogue on a sweeping topic: "China in transition from one era to another." The discussion ranged far and wide, from the political crisis the regime was in and participation by intellectuals to multiparty cooperation and the transformation of the NPC [National People's Congress] and CPPCC [Chinese People's Political Consultative Congress] at both the macro and micro levels.



During the conversation, the young intellectuals pointed out that, learning from the chaos of the Cultural Revolution, Deng Xiaoping made "stability and unity" the paramount consideration in his reform drive. Reform has made concessions to all interests. In the end, not a single group of people feels grateful for such concessions. Instead, those who can make a profit do so while those who cannot, grumble.

Immediately after he addressed a meeting of a subcommittee of the CPPCC on the morning of 20 March, Xu Simin [1776 0934 3046] was dubbed a "braggart" by RENMIN RIBAO reporters. There is talk among high-level people in the press on the mainland that covering the CPPCC and NPC has become a subspecialty within the field of journalism. They call it "NPC and CPPCC journalism." In my opinion, besides "NPC and CPPCC journalism," there should also be an "NPC and CPPCC psychology" to gauge the psychological response of people at all levels inside and outside the government. Should the "braggart" speak up or shut up? Should he attack current social ills? Or should he be laudatory instead? The "NPC and CPPCC psychology" has turned Xu Simin into an instant celebrity.

On the evening of the 22d, Mr Xu Simin invited five young scholars to a discussion in Room 2547 in the Nanpei Building of the Friendship Guesthouse where he was staying. They were Chen Ziming [7115 1311 2494], Wang Juntao [3769 6511 3447], Min Qi [7036 3823], Chen Xiaoping [7115 1420 1627], and Liu Weihua [0491 5898 5478]. As soon as they were seated, the young guests asked with concern whether he intended to address the coming meeting. What would be the subject of his speech? Mr Xu Simin told them that, as in the past, he had prepared himself by thinking long and hard. Only when he got to the meeting did he realize there were "planned arrangements." Mr Xu took out the text of the speech he had prepared while in Hong Kong and showed it to his guests, inviting their comments. With a laugh, he said, "My speech can only be an 'unplanned arrangement.' Still, I have given a copy of my speech to the meeting."

Everyone was very excited to see Mr Xu's article, which was entitled "The People Demand Democracy; Power Must Be Checked." It seems that people inside and outside the meeting would find a common conversation topic right away.

It is a meaningful thing for a 70-year-old man and those in their thirties to sit down and explore national affairs together. For 7 decades, since the May 4th Movement, generations of Chinese have been pushing "democracy" and "science." The young generation has done the same thing for 13 years since the 5 April incident. Chen Ziming and the other four young scholars are the mainstay of the private Beijing Social, Economic, and Scientific Institute. During the past few years, they have devoted themselves to Chinese political science, researching such topics as "modernization and political

development" and "a comparative study of political party systems." At this meeting, an elderly man and five young intellectuals engaged in a dialogue on a sweeping topic: "China in transition from one era to another." Their discussion ranged far and wide, from the political regime crisis in China and participation by intellectuals to multiparty cooperation and the transformation of the NPC and CPPCC at both the macro and micro levels.

Moving democracy from the street to the Great Hall of the People is the joint effort involving all people of vision committed to the creation of a prosperous China.

### China in Transition

Wang Juntao (Because of his participation in the 5 April movement, he was elected a member of the presidium of the 10th Congress of the Communist Youth League [CYL] and alternate member of the league's Central Committee. In late 1980, while a student in the Physics Department of Beijing University, he proposed introduction of a shareholding system and market mechanisms. He has also been a consistent advocate of political democratic reform. He resigned from his public position in 1984 and began traveling the nation on a study tour. Currently, he is a member of the Beijing Social, Economic, and Scientific Institute.): "I want to talk about the times we live in."

Since last year, China has been beset by problems like price increases, ruling party, and social disorder. Many of the problems today are superficial. A deeper issue is this: Times are changing. Generally speaking, every 8 to 10 years constitute a phase in a nation's development. In the West, presidents come and go. Chairman Mao Zedong once said, "Once every 7 or 8 years." Both suggest that the ruling party must make adjustments. Since the 3d Plenary Session of the 11th CPC Central Committee, Deng Xiaoping has been in charge for a decade, basically resolving the problems of the outgoing era. Now new problems are fermenting. What bedevils China these days is a fresh set of problems, not those of the era gone by. Many people today, including some overseas, do not realize that times have changed. As times change, so do problems. These people are still analyzing China's leadership from the perspective of "factionalism." The same leaders are still in power, but problems and decisions have long since changed. Specifically, Deng Xiaoping's achievement in the past decade was to steer China, a nation far removed from the mainstream of human civilization in Mao Zedong's era, into the course of human civilization and affirm that the direction of national development should be consistent with the rest of the world. Deng Xiaoping managed to do that through reform and the opening up policy. Through this process of change, new problems have arisen. Under a democratic system, the transition from one era to another takes place through legal procedures. Under an autocratic system, such a transition amounts to a challenge. There are two scenarios. One, if the old leaders leave few problems when they depart from the scene, a

new power structure will usually emerge through a power struggle at the top amid relative calm. Two, if the leaders leave behind too many problems, the scramble for power at the top will come into the open. Some people may then take advantage of the disaffection at the bottom to seize power. A possible outcome may involve some forces within the system lining up with the people at the bottom and adopting some new ideas. The change from one era to another always offers a nation a new opportunity to make choices.

For people interested in studying the problems of China and desirous of advancing social progress, now is an opportunity to choose. They can get bogged down in minor issues or they can examine some major national issues in depth and transform themselves into intellectuals so that the next leader to come to power must win support with new ideas in order to overcome his opponents.

What the NPC and CPPCC are discussing these days is too confined. Neither has come up with an overall view of society by examining the real changes in Chinese society in a broad context. China has gone through three stages in its choice of a modernization mode. The first stage lasted from 1840 to 1905, before the five ministers undertook their overseas trip. China was under attack at the time, which convinced the nation that it must modernize or else it would not be able to compete with the West. During this stage, it was assumed that China's basic institutions were sound. All that had to be done was to change the educational system a little and introduce modern Western technology. After a series of military defeats, China was inspired by postreform Japan's victory over Russia in 1905 to launch its second stage of modernization. In this stage, which lasted from the failure of the 1911 revolution to the founding of the PRC in 1949, China realized that to modernize, it must learn from the West. Fighting among the warlords and the Japanese invasion prevented the Chinese Government from creating a basic order. The most urgent problem facing the CPC, which had matured meanwhile, was feeding and clothing the people. The third stage began with the seizure of power by the CPC. To restore order, the CPC copied the Stalin model, leading to a regression to feudal methods. Had China followed Western principles then, it would not have established order even in decades. Chiang Kai-shek too managed to establish order after he arrived in Taiwan by learning communist methods. Today China is in a new transition. It must again make a choice regarding the kind of civilization it wants. The first 10 years of reform were very similar to the reform movement of 1898. Then as now, China felt that it was not going anywhere and must learn from others. But no consideration was given to figuring out what China as a whole must learn. In my opinion, it is dangerous to undertake reform piecemeal. What is needed is a broad evaluation of the future direction of the development of the entire nation. To say that China is now in transition means that we should

grasp the opportunity to choose a model of modernization for the next stage of national development. This is basically how I see the times.

Deng Xiaoping's achievements are enormous. But a lot of issues have not been threshed out. It is true, of course, that they just cannot be threshed out. But those problems do not belong to the outgoing era. Many people in China today are still debating problems of 10 years ago. Hence their arguments remain superficial. In fact, we should argue about the new problems that have emerged in the last 10 years at a deeper level. In other words, China should think comprehensively about what it should adopt as its modernization model.

### Institutions and Social Crisis

Xu Simin: What do you think are the major errors in government work?

Wang Juntao: Economically, I think the government has erred by limiting reform to delegating authority and allowing enterprises to keep more of their profits. This weakened direct state administrative regulation and control as well as macroeconomic control and regulation, making economic power far removed from the market model. Also, it has done nothing to reform the ownership system and property rights relations. Hence the absence of self-restraining microeconomic mechanisms. Economic entities are not held responsible for their actions and their behavior is not regulated. On the other hand, the government has also failed to establish corresponding macroeconomic regulation and control mechanisms. There is no policy environment to balance supply with demand. There is no in-depth and long-term policy consideration. Instead, the government takes a one-step-at-a-time approach. Consequently, reform ran into conflict with development. Reform has not only affected the structure of economic development. It has also undermined economic stability. As soon as we moved to restore economic stability and its smooth operation, economic reform was threatened.

Politically, people are impatient for quick success and instant benefits. Measures, both those considered and implemented, were autocratic, neither stable nor correct. As a result, society has lost its overall balance and order.

A crisis can hit a nation at four levels. First, the policy level: This can be solved easily. Once the policy is corrected, the crisis disappears. At most, we replace the leaders. A leader may not be willing to change his policies while he is alive. But once he is dead, his policies can be changed. Witness the "Tiananmen Square incident."

Second, the institutional level: When old policies cannot be corrected and new ones cannot be adopted, the problem is institutional. For instance, many economic

plans cannot be carried out now precisely because the right political and institutional conditions are lacking. An institutional approach is necessary to solve the crisis.

Third, the social level: Social forces, such as corruption in the upper echelons, do not permit changes. To solve a crisis at the institutional level, we can carry out institutional reform from top to bottom. But to solve corruption at the upper levels of society, there is no alternative to a revolution from the bottom up. Only a shakeup can break up vested interests and rid society of a heavy burden.

Fourth, the cultural level: The Chinese people have always refused to accept new institutions, like African tribes who try to resist modernization with traditional culture.

I think what China is facing now is an intertwining of crises at the second and third levels. The pattern of interests formed during the past decade has not been stabilized. In addition, there have been two or three shakeups in the ranks of the cadres. Thus, forces have not been stabilized or firmed up. In fact, China's problem remains an institutional one. We need to create new institutions. Since last year, the NPC and CPPCC have continued to talk about the policy crisis in education, agriculture, population, transportation, and energy. The key to solving this crisis is institutional reform. I hope the NPC and CPPCC will come up with some ideas on institutional reform.

#### Authority Losing Legitimacy

Chen Ziming (One of the six representatives elected by the public during the 5 April movement, he was elected by the Chinese Academy of Sciences as a Haidian people's deputy in 1980. In 1984, he resigned to form a private social research institute. Currently, he serves as director of the Beijing Social, Economic, and Scientific Institute.): As I see it, China's crisis today is the crisis facing the government and the ruling party. The legitimacy of the Chinese government has become increasingly dubious. At one point in the past, the CPC succeeded in building up immense authority around itself by drawing upon its glorious revolutionary history and traditional ideology. But we can say that it has dissipated in 40 years the prestige it amassed in 28 years. Less and less do history and ideology constitute a sufficient source of authority and prestige. To earn new authority, the government must provide a good performance. But Li Peng has said that there are "flaws and errors" in the way government guides work. It would be dangerous if the government could point to no achievements. Authority is no longer buttressed by any legitimacy.

In your prepared speech, Mr Xu you point out that China has not established a democratic system that can ensure long-term stability and peace. I think you have hit the nail on the head. Western democratic procedures are more reliable than even a good official performance in conferring authority.

Do people now studying the Chinese crisis compare the decade-long Cultural Revolution with the achievements of 10 years of reform? Mao Zedong launched the Cultural Revolution and hit out at all strata of society in turn, from intellectuals, cadres, and "five kinds of elements," to the Red Guards, workers' propaganda teams, and the PLA. Everybody, in fact. Although he had supporters every time he unleashed a struggle, he had lost all support by 1976. By then it had become very difficult for him to launch another movement. Learning from the chaos of the Cultural Revolution, Deng Xiaoping made "stability and unity" his paramount consideration in reform and made concessions to all interests, ultimately earning the gratitude of none. Nobody in society feels indebted to the concessions by others for the benefit he has gained. Instead he feels that he has benefited only by trashing the other guy. Unexpectedly, 10 years of change have brought about the same consequences as the Cultural Revolution. All social strata have become alienated from those in power.

I think Deng Xiaoping has made tremendous contributions in the last 10 years. He has revived the Chinese middle class, which was crippled for 20 years. Chinese intellectuals have begun to show their maturity. Both the conference at Beijing Hotel last year and the signature-collecting movement this year demonstrate the independence of Chinese intellectuals. Also growing is an independent stratum of entrepreneurs and civilian officials. Such a development is historic. To restore the source of authority means matching institutions with the development of social forces. Intellectuals are the spearhead of the middle class. If they are not incorporated into the system, they will be driven into the ranks of the enemy. We cannot buy the intelligentsia, which is developing from a spontaneous class into a self-conscious class, with petty favors such as appointments as bureau chief or department head. Nor can we let them enter the political process through the back door (via a network of guanxi or connections). Instead we must open the front door and allow those interested in political participation to discuss national affairs openly. We need to adopt an accommodating policy.

Right now a large number of the best and brightest in China remain outside the system. Not only that, but even the very small number of good people within the establishment show signs of drifting outward.

Min Qi (Imprisoned for 5 years during the Cultural Revolution for opposing Lin Biao, he was admitted into the Chinese Academy of Social Sciences by examination in 1985 and became editor of ZHONGGUO SHEHUI KEXUE [CHINESE SOCIAL SCIENCES]. Currently he is general secretary of the Beijing Social, Economic and Scientific Institute and editor of ZHONGGUO ZHENGZHI SHOUCE); Jin Guantao [0093 6034 3447], Yan Jiaqi [0917 1367 0366], and Zhang Gang [1728 0474] have set up a private research organization called

the 21st Century Institute. With funding from a company headed by Gu Nande [0942 0589 1795], Bao Zunxin [7637 6690 0297] has established the Asia and Pacific Institute. Both moves conform to this trend.

### Intellectuals Demand Participation

Min Qi: There are all sorts of contradictions in China today. I think the most fundamental is that between government incompetence and the demand by intellectuals for participation. Nonparty intellectuals, in particular, have no voice.

In the past, political participation by nonparty persons took several forms, one of them being involvement in democratic parties so as to transform them. On one condition, that democratic parties must fight for their own power, I agree with what you say in your prepared speech about "multiparty cooperation." The current political party setup is part of the legacy of history. It does not reflect the choices we now have regarding China's interests, thinking, and future.

I was in Xinjiang recently to do a questionnaire survey on democratic parties. The China Democratic League and the KMT Revolutionary Committee in Urumqi each receive 5,000 yuan in operating funds from the Ministry of Finance every year. Each is housed in a dilapidated office. I met some people from the United Front Department and asked them for educational funding. They replied, "If we donate the funds, the party would have to be disbanded." There is a strict limit on the growth of membership of democratic parties. Moreover, membership is divided into such categories as "education," "medicine," and "business," which makes it even harder for a democratic party to develop into a political party.

The CPC today is in a completely passive, inactive situation, merely reacting to circumstances. Instead of fostering "democratic parties" and nurturing national self-rejuvenation, it is merely encouraging some corrupt elements in the parties and the nation to approach the CPC for money and power. This will only worsen the contradictions. The legitimacy crisis is deepening by the day.

Intellectuals have put forward three proposals for solving the legitimacy crisis. One, recentralization of power, or "neoauthoritarianism." Two, development of power, which is what people in this group favor. Three, power decentralization, which is the proposal of the group that discusses ideological principles. In my opinion, the first two should be our priority right now. Decentralization can wait. In other words, we have to solve the crisis of participation by intellectuals.

### Choosing a Modernization Strategy

Liu Weihua (A former lecturer at the Central China Normal University, he is currently director of the Department of Scientific Research at Beijing Social, Economic, and Scientific Institute.): Traditionally, we had two choices when it came to modernization strategy: conflict and compromise.

Conflict is usually the option of choice of a powerful government intent on pushing through modernization. That was the case in China from 1949 until the Cultural Revolution. High accumulation was pursued. Peasants were sacrificed. A planning system was imposed by force. While the people's level of consumption was not high, the government remained popular because it enjoyed legitimacy and safeguarded national sovereignty. Mao Zedong exerted a major influence on the cadres by sheer force of personality, which dealt a heavy blow to modernization. Still, economic growth in China approximated the takeoff phase. The Mao Zedong era left Deng Xiaoping with two burdens. To begin with, there was the chaos of the Cultural Revolution. It fell to Deng Xiaoping to restore political order and stability. Second, 3 decades of high accumulation had taken a heavy toll in the minds of the people. Deng Xiaoping had to work to improve the image of the Maoist regime and establish a new source of authority. During the past decade, Deng Xiaoping opted for the compromise mode, lowering the social accumulation rate and decentralizing power extensively. The all-powerful central government was gone. Now, even this era is drawing to a close. What next? That is a complicated question. After World War II, Japan followed the conflict model. The central government went after high accumulation and would not let anything stand in the way of asserting its authority. For 10 years, we decentralized and gave up profits, which was actually a sign of a weak and incompetent central government. Meanwhile, an array of political forces and interest groups came of age. During the next era, it would no longer be sufficient to choose one of the two models. The appearance of a corps of high-caliber officials and economic bureaucrats requires that we reexamine the national spirit and national culture overall.

Chen Ziming: The CPC's special weapon is to unify the nation with an ideology. The current discussion of "neo-authoritarianism" does not yield many valuable ideas, but the discussion itself is useful in that it is an exploration of a nontraditional ideology through an academic exchange. Unfamiliar with the language and wary of falling into the trap, the government is taking a very cautious attitude. This makes the discussion the first step toward establishing the authority of a new ideology.

In the past decade, new ideas broke through the cage of the old ideology and quickly occupied new turf. What the new era demands is that new ideas be checked and a new civilization be put together.

A new, authoritative thinker is bound to emerge within the next decade. If the party fails to embrace him, he will stay outside the party. A nation cannot live without spirit and ideas. The failure of price reform has sown dissension and discord among the people. The CPC should let the trend and its fine tradition come together.

### Incremental Reform for the NPC and CPPCC

Chen Xiaoping (He was almost branded a counterrevolutionary student for putting up a big-character poster—

"Which Is More Important, the Party or the Constitution?"—at the campus of Beijing University during the 18 September movement in 1985. He is currently deputy director of the constitutional law research and teaching section at Chinese Political University and editor of ZHONGGUO ZHENGZHI SHOUCE, 1988 edition, at the Beijing Social, Economic, and Scientific Institute.): Last year the NPC came up with a proposal that got much attention. It was the idea of Huang Shunxing [7806 7311 5281], a deputy who returned from Taiwan. First, secret polling points should be set up. Second, NPC committee members are now appointed by the CPC Central Committee instead of by the Standing Committee. That should be changed. Third, contested elections should be held to fill the three most important positions in the nation: the presidency, commission chairmanship, and the premiership. I think Wang Shunxing has raised a substantive issue. Before the current meeting, the overseas press had predicted that Huang Shunxing's resolution would be reconsidered. We too hope that the NPC and CPPCC would look at it again. Clearly, it is significant that the NPC and CPPCC make detailed policy proposals. But it is even more important that they ask questions and make suggestions regarding the reform of the NPC itself.

The NPC is expected to pass the Rules of Procedures of the NPC and the Administrative Procedural Law at its current meeting. These are two very important pieces of legislation. We very much hope that the deputies will concentrate their energies on them, but we are worried that they might overlook them. There are two key points about the Administrative Procedural Law. First, should it focus on protecting human rights? Or should it focus on protecting government authority? Reportedly the official position is to protect both. That is absurd. Second, we must emphasize national conditions and reduce the scope of applicability of the Administrative Procedural Law. This law is a safeguard of a citizen's basic rights and should limit and restrict government power.

Our impression is that the deputies readily respond emotionally to a host of superficial problems, such as official corruption, price increases, and education. Yet, for 10 years after reform began, they tended to ignore things like the protection of human rights, respect for freedom, and restraints on power.

The self-transformation of the NPC is critical to introduction of a democratic political system. Amending the Constitution is a also burning issue today. But the government takes an extremely cautious attitude here. Right now it seems that not much is going to happen.

For a long time the legal community has been calling for establishment of a "constitution court" or "constitutional convention."

Wang Juntao: The NPC is an organization for consultation and discussion. Yet, most deputies are not experts.

Chen Xiaoping: The NPC and CPPCC should set up clubs or think tanks and fund them to do long-term research and come up with expert solutions. The transformation of the NPC and CPPCC should be gradual, through a series of technical changes. The democratization of China requires bold changes in ideas and concepts. But it also requires changes in detailed operating procedures down to the most minute technical points. After seven or eight such changes, the institutions of the entire nation would assume a new look and scientific and democratic decisionmaking would become a reality.

Min Qi: Back in 1985 Hu Yaobang had already noted that there are two powers the party cannot give up: the power to appoint personnel and the power to make policies. The basic goal of NPC reform is to shift policymaking power to the NPC. But what about personnel power? It has not moved one bit and still resides in the Central Organization Department. Who is to be minister, vice minister, governor, deputy governor? All this is decided by the Central Organization Department. This is no way to bring about multiparty cooperation.

Chen Xiaoping: The spontaneous development of and participation by intellectuals by itself limits the power of the ruling party.

Soon 2 hours came and went. A meeting that several uninvited guests failed to disrupt finally came to an end. Everyone stood up to say goodbye to Mr Xu Simin.

The 70-year-old man and those in their thirties were fully confident that democracy would make its way from the street to the Great Hall of the People.

While in the capital, Mr Xu Simin also met with several well-known theoreticians and authors, including Yu Haocheng [0060 3185 2050], Su Shaozhi [5685 4801 2535], Zhang Xianyang [1728 7359 2254], He Jiadong [0149 1367 2767], and Luo Diandian [5012 7820 7820]. He also attended a seminar on structural reform at International Hotel sponsored by the magazine XIN GUANCHA [NEW OBSERVER], where he was invited to make a brief statement.

## NATIONAL AFFAIRS, POLICY

### Two Main Reform Proposals Viewed

HK0407022489 Beijing JINGJIXUE ZHOUBAO  
in Chinese 18 Jun 89 p 7

[Article by Weng Hansong 5040 1383 2646: "An Analysis of the Prospects for the Two Main Reform Proposals"]

#### [Text] I. How the Problems Are Raised

Since 1988, the opportunities and difficulties of China's reform have markedly manifested themselves, urging people to study and work out reform plans for the future. As a result, there are several "358 plans."

On the whole, they can be divided into two lines of thought, namely, the proposal of "taking the price reform as the vanguard" and the proposal of "taking ownership as the vanguard" (for convenience' sake, hereafter these will be called "price proposal" and "ownership proposal").

It can be said that the decisionmaking body opted for the "price proposal" in the first half of 1988. However, viewed from its actual implementation, the result was far from ideal. In the second half of the same year, the decisionmaking body could not overhaul the state economic life, as well as its relevant aspects. In line with the thinking habits of the Chinese, it seems that the "price proposal" has been proved erroneous and even harmful in practice and that, if the "ownership proposal" had been adopted at that time, the reform would have developed by leaps and bounds. As I see it, however, we should shake off the habit of this kind of thinking. The "price proposal" cannot be regarded as chiefly responsible for bungling the reform program, nor can the "ownership proposal" be regarded as a panacea for curing the Chinese disease. We should make a systematic analysis of the advantages and disadvantages of the two proposals to the society as a whole in order to prove the sensibility of choosing a certain prospect.

The tremendous achievements and temporary difficulties of the reform have not only provided a realistic basis for but have also called for this analysis. This is because the two major lines of thinking are the historical outcome of the reform development at a critical stage. Moreover, so long as the reform does not stop, it will still be necessary to answer this historical subject.

#### II. An Analysis of the Prospects for the "Price Proposal"

The basic line of thought of the "price proposal" is as follows: take the price reform as the vanguard to stimulate a "chain reaction" in finance, profits, and taxes; adopt a radical measure instead of practicing the double-track price system; and establish a relatively perfect market mechanism so that the "fish" of enterprises can

have a relatively suitable "pond" in which to survive, and a new order of the socialist commodity economy can eventually be established. In fact, this is a proposal to perform a drastic "surgical operation" on China's social life. Its prospects of success and practical risks are considerable. If this proposal is implemented, the Chinese society will certainly undergo the following changes:

A. After mandatory planning is considerably weakened, the commodity market will be in great turmoil. The commodity exchange, which goes through various non-standard economic behaviors and which is quite out of keeping with the law of value, will eventually move toward a more stable and mature commodity market equally sharing out the profits. Correspondingly, spurred by a confused competition characterized by the attainment of profits by force or trickery, the product mix, and even the economic structure of the society as a whole, will undergo drastic readjustments. Fearing that they will get the worst of it, all enterprises, institutions, and units will blindly seek their own interests. In effect, given the sudden change in the environment for survival, this is an economic war of madly pursuing profits and shunning calamity. It will go on until a situation characterized by mutual restrictions and equal distribution of profits, namely, a relatively standardized market, takes shape. Because this process happens in circumstances involving the external world, another factor, i.e., the relationship between commodity value and international currency, has also been added. Consequently, the great changes in the Chinese market and the industrial structure occur against a broad international background and the intensity of these changes leaves people at a loss for what to do. However, the prospects of the Chinese economy being more thoroughly brought into line with the world civilization have also become clearer.

B. In the course of great turmoil, especially due to the readjustments in industrial structure and the role of a super-economic factor, there will be extremely great changes and division in the balanced conditions of interest. Polarization between rich and poor will be obvious and a stratum that will enjoy a "quasi-quality life" will gradually come into being. The beneficial effect of the latter's consumption, as well as its combination with China's shortage economy, will inevitably lead to serious inflation so that the Chinese economy will have to operate at high speed under an "injured" condition. Only when the accumulation of wealth reaches the stage where China's middle-class becomes worthy of the name will the conflict of socioeconomic interests tend to ease.

C. Following the drastic changes in market competition, interest distribution, and social character, the yardstick to evaluate people's value and the measurement of social status will also be much different from those in the past. The intellectual aristocrats who preached all day in the past will probably be ridiculed as cultural beggars and the "contemptible people" in the old days will probably become the focal point of press media. After a fairly long

period, those who are relatively talented are competitive, and put to hard work by various means will eventually be respected as the elite of society.

D. Under the tremendous impact of social life, a process of strong waves washing the sand will also occur in China's educational and academic circles. Middle and primary school teachers, as well as science and engineering teachers in universities and colleges, will demand and eventually obtain fair social treatment. After colleges of liberal arts eliminate a large number of "campus vegetables" who lead young people astray, but who still criticize the state for not respecting them; and after universities and colleges complete the switch-over from the outdated teaching system to the teaching system of modern civilized society, the institutions of higher learning will find a good mechanism for integrating practice with social development, regain the recognition and respect of society, and thus solve the so-called "educational crisis." The academic circles will present a chaotic situation in which the waters are muddied, the bad is mixed with the good, and people seek fame and wealth by showing off their shallow knowledge, but eventually a process of great stars and giants recognized by all people will come into being.

The essence of this historical process is to complete once and for all the overall transformation of the Chinese society. In this process, a large number of upstarts will appear to be triumphant and be swollen with arrogance; a larger number of people lacking competitive capability will sigh sadly and, looking at their shadows, lament their lot; and many people who "deem it necessary to preserve the necessary tension between the two poles" will be at a loss as to what to do and will feel resentful.

### III. An Analysis of the Prospect for the "Ownership Proposal"

The main spirit of the "ownership proposal" is to arouse the enthusiasm of employees, especially the employees of large and medium-size enterprises, thus effectively increasing national wealth. Because it touches on the sensitive issue of "ownership," some people suffering from "political allergies" have kept silent out of fear. In fact, its nature is more like the "price proposal" than "surgery." Rather, it is a proposal of relative improvement. The logical outcome of implementing this proposal will be as follows:

A. By concentrating on deepening the contract system and instituting the joint-stock system in large and medium-sized enterprises, it will, to a certain extent, yield a similar effect to the development of production in the rural areas following the institution of the contracted responsibility system with remuneration linked to output.

Because of the explicit link between their own interests and enterprise operational results, the enthusiasm of the employees will be aroused to a certain extent. After long,

invisible "haggling," a ratio between enterprise returns and state taxation suited to the development of enterprises will be relatively well defined. However, because the pattern of state-fixed prices has not been changed once and for all, the double-track system is still implemented.

Therefore, the essence of this process is enterprise structure and microeconomic remolding against the macroeconomic background of the original economic structure. It has not broken through the commodity economy system or the quasi-commodity economy system. It does not enable the enterprise cells and the macro organism of the new commodity economy to realign themselves naturally. Enterprise conduct still does not have the external conditions to genuinely observe the law governing the commodity economy. It, at most, changes the quasi-product economy characterized by "everybody eating from the same big pot" into one characterized "a group of people eating the small pot [xiao guo fan 1420 6938 7391]." Therefore, its role in arousing the enthusiasm of workers and staff members will be very limited.

On the other hand, because there is an acute contradiction between enterprise production, the enthusiasm for which has been relatively aroused, and the government-standard price system and mandatory production and because the division of work does not have a natural direction (channel), imbalanced social production and unfair distribution of interest will be even more conspicuous. This, plus the chaotic situation in the early days of the institution of the joint-stock system, will likewise lead to great fluctuations in socioeconomic life. In the wake of the interest disputes inherent in the structure, the enthusiasm of the workers and staff members will also drop again. By this time, the difficult problem of price restructuring will still come out into the open. As a result, the conditions cited in our analysis of the "price proposal" will again emerge in social development.

B. As far as the vast numbers of workers and staff members are concerned, there is a question of whether the stock-holding starting point is fair and whether the process of subscribing to the stocks is rational. This is also an inherent problem for China: Whether we evenly divide stocks according to the practice of everybody eating from the same big pot or hold that the practice of "sheep eating men" [yang chi ren 5017 0676 0086] will widen the practical gap among stockholders? If it is the former, it will mean that something like evenly priced wages has been added as the stock value and that no reform has been conducted. Moreover, because of some noneconomic factors, many phenomena that will infuriate the basic masses will emerge in the course of ascertaining assets and purchasing and controlling stocks. The possibility of social turmoil cannot be excluded.

C. After the institution of the joint-stock system, the quantity of stocks owned by an individual will be an important yardstick to measure one's social status. This

means that the original vested interest group has been incorporated into a new social assessment system. Many of them will have the sense of loss similar to the worker, peasant, and soldier students following the reform of the college entrance examination system. With the remolding of the social assessment system, the society will either soundly move toward a direction in which asset proprietorship increasingly coincides with individual capability or move toward a direction of building another corrupt bureaucratic contingent "allying" itself with the new assessment system.

Compared with the "price proposal," the "ownership proposal" will probably not bring about immediate, startling social changes but it will quite likely sacrifice China's chances of ranking among the modern civilized countries. Nor does this mean that there will not be great social fluctuations. While delaying the state's economic and political development, it will also delay these major changes.

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[Article by Yu Zunyao 0060 4371 1031 of the Economic Research Institute of the Social Sciences Academy of China: "Rethinking the Choices of Strategy for Deepening the Reform"]

[Text] The current consolidation and improvement in progress are in reality another overall readjustment. Their purpose is to overcome the problems and difficulties caused by the erroneous choice of strategy in the course of the reform over the past 10 years and to create the necessary relatively lax and fairly good economic conditions for deepening the reform from now on. The consolidation and improvement are the price or school fees we have to pay for the errors in selection by us in the past reform. Whether or not we can dispel all impediments and do a good job in this overall readjustment is directly related to the future and destiny of the reform.

The standard principle for examining truth is studying the actual practices. An important task which we should not overlook in the current readjustment is to make a matter of fact retrospect of the selection of the strategy for the reform in the past 10 years and to scientifically probe the strategic steps for deepening the reform.

#### **The Minus Effects of the Reform Steps Should Arouse Misgivings**

The steps in the strategy of the reform carried out in our country called for selection of reform of the economic structure as the starting point and began with the two sectors of the ownership system and operation mechanism. Obviously, selection of this type of strategy took the following supposition as the fixed precondition: an independent economic structure existed in the traditional socialist pattern and economic operations did not

depend on the political-administrative structure, whereas the political-administrative structure undoubtedly was of a socialist nature and was basically suited to the economic foundation. Hence, economic reform could proceed first and the new ownership system and operation mechanism could be without touching on the old political structure but within the framework of the old political structure and depend on this structure for establishment.<sup>1</sup> The series of reform procedures such as the household contracting system enforced in agriculture and power delegating and ceding of interest practised in cities and towns were precisely the strategic selections made according to this basis.

As for whether or not these selections were correct and whether or not their thesis could stand, we can judge from the right or wrong effects generated after the emergence of certain big and important reform procedures in the past 10 years.

—The family contracting system practiced in the rural areas marked the start and the breakthrough point of the economic reform in our country. Relying on the peasants' liberated enthusiasm which had been suppressed for a long time by the system of people's communes which were "large in size and collective in nature," agricultural production had an extraordinary growth for five years in succession and the peasants' income enjoyed a large-scale increase every year. From this people made the conclusion: the grain problem of our country had been basically solved and the peasants' living has begun the transition from the type of eating to the fill and dressing warmly to the type of being comparatively well-off.<sup>2</sup> From rural reform, a universally applicable conclusion was obtained: Contracting instantly works! However, since 1985, the tendency of the high-speed growth of agriculture was replaced by fluctuation and stagnation for years in succession. This fact reveals: The peasants have still not become commodity producers who can autonomously operate and are relatively independent and have not become the principal body in the rural market: the existing family contracting system is far from being microeconomic basic of an agricultural new structure which is suited to the productive forces of a modern socialized and commercialized nature: The progress of agricultural commercialization and the general emergence of rural markets has been extremely slow, the reason being: In the deep-going layer of the structure of the rural economy the constituent main body of the rural economic operations is not the peasant household but is the national political power, that is, the government; upon the dissolution of the unification of government and cooperative society, it was replaced by the rural government and the political power at the grassroots level of the rural villages served as collective land owner and the party contracting out the land; with the abolition of unified purchase, replacement was made by the government, without bearing any obligation on the peasant household's operations, unilaterally making contractual



fixed purchases of a compulsory nature: the policy which for a long time had frozen the purchase prices of agricultural products finally came to an end, but in its place only a slight adjustment was made once every several years and this was far from being able to offset the large-scale rise in the prices of the means of production. Before the reform, in the rural areas there had been no economic structure in existence that was independent from the political structure. In name, the economy of people's communes belonged to the system of collective economy but in reality it belonged to the system of state ownership. After the reform, although the peasants, initiatively suiting to the conditions of the productive forces, created the family contracting system which may be taken as the embryo form of a foundation for a microeconomic new structure, yet, seen as a whole, the main body in rural economic operations was still the government and the mechanism for regulating the allocation of resources was still administrative orders and other administrative measures. This ossified type of political structure may be likened to the effect of a heavy steel helmet put on the head of a child; it suppresses his growth and development. The peasants' work on land of a plundering nature, their negligence of barren land and even forsaking farming altogether, stressing consumption and cutting down accumulation and the phenomenon of the universal worsening of relations between the cadres and the populace because of the government's compulsory grain levies all reflected the peasants' proper resistance to this kind of structure. They were all punishments suffered by the people on account of political power working in the opposite direction of economic development.

—The target of the economic reform is orienting to the market, and speeding up the development of the market structure is an urgent task of the economic reform. Hence, in recent years we have reduced the kinds and volume of material resources subjected to the states' unified allocation, opened up a portion of the means of production market and markets for agricultural products such as grain and other farm products, extensively developed lateral combination, through the flow of essential elements of production between the enterprises, industries and trades and localities realized the rational allocation of material resources, reformed the system of a single distribution fixing one's labor services for a lifetime, permitted the rational flow of labor force, opened up a limited labor force market, enforced the system of "tax in lieu of profit," and put the "bankruptcy law in trial operation so as to create a market environment of equality for competition among the enterprises"; in the financial sector, we have established a two-level financial and currency organizational structure through the separate establishment of the central bank and specialized banks, initially the loan and discount market was opened up while the merging and discounting of short-term notes were permitted. All these reform procedures have played a limited role in a given period

in enlivening circulation and pushing the growth of the markets. However, following the passing of time, these measures themselves have produced adverse effects contrary to the reform objective. First, between the localities and the industries and trades, mutual blockading and making out of spheres of interests were aggravated, the product market initially formed early in the initial stage of the establishment of the republic when finance and economics were unified was seriously split up and such occurrences as the "silkworm battle," "wool battle," and "tobacco-leaf battle" erupted one after another, the translocality and transindustry/trade lateral flow of essential elements of production was impeded, and the historically formed cooperation was frequently interrupted. Second, deformity of the industrial structure became more acute; "whole people going into business" led to the vicious inflation in circulation; processing industries increased vehemently and despite the state making redoubled efforts to increase investments in the energy and in other "bottleneck" departments it was still insufficient to overcome the imbalanced state between the processing industries and the raw material industries; town and township industries grew at a super-high speed but the state-run large and medium-sized enterprises which produced relatively good economic effects were burdened by such problems as being overstaffed and their equipment lying idle because of the insufficiency of energy and raw materials.<sup>3</sup> A survey made by the People's Bank in 1988 revealed: The value of assets of industrial enterprises in the whole country amounted to over 20 billion yuan (See RENMIN RIBAO, July 29, 1988); among the industries and trade and the localities, there were innumerable cases of unnecessary redundant introduction from abroad of projects, redundant construction, redundant production, seeking the formation of their own structure, working for self-provision and self-sufficiency and pure disregard of dimensional benefits.<sup>4</sup> Third, in the industries and trades, large and small cases of "guan dao" [official corruption] were rampant. The corruptive acts penetrated into every possible channel and were operated almost infinitely, ranging from the reselling of scarce products to sales of imported high-grade consumer goods at high prices, from selling officials' signatures, documents carrying official sanctioning and approvals, credentials to buying and selling of various kinds of financial notes and documents, from selling of residential permits in cities and towns to providing jobs and employment, from publishing of dissertations to granting professional and technical titles, from requisition of land to stealing objects of ancient culture, from purchase and sale of foreign exchange to granting permissions to go abroad, and so on and so forth. Fourth and lastly, the vicious inflation of social gross demand and the imbalance between supply and demand were aggravated and the economic environment for deepening the reform daily worsened. The scale of capital construction in progress was as high as 1,300 billion yuan, accompanied by an increase speed at a rate of several tens of

billion yuan a year. The engineering standard of the building projects won the envy and marvel of even the rich in the west, while the rate of the rapid increase in collective consumption exceeded the national income by over 100 percent.<sup>5</sup> This type of deformed demand had a substantial amount of "water content." Productive demand, following a stated period of delay and stagnation, could rationally be converted into effective supply but because of "official corruption," "private corruption," and speculative activities being rampant, this caused "commodities to travel afar and prices to increase like a snowball," led to prosperity which was false and only on the surface, increased the conflicts in supply and demand, make the national economy go through alternately high speed growth and constant readjustment, and caused people's long-awaited market and market structure to suffer repeated setbacks in their development.

Should we ascribe the causes of such consequences which went against the anticipations of the reform to the "coexistence of the two forms of structure"? In the past, the writer did harbor such a point of view. But upon reflection, such a conclusion can hardly stand. Making an objective analysis of the present condition of the economic operations in our country, it can readily be seen that without mentioning that the planned commodity economy structure which we have struggled for is still in the probing process, even the operation mechanism of the new structure that is being formed is being twisted and deformed and is mixed into one body with the mechanism of the old structure to concurrently carry out reverse regulation of the economic operations. At present the traditional political structure is over and above the economy and is the principal manipulator of our country's economic operations. Certain of the big and important reform measures, though reducing the central government's direct control of the economy, actually strengthen the administrative power of the local governments at various levels or the departments in directly regulating the economy. The scattered administrative power, independent economic interests and a pluralistic power mechanism of allocation of resources all combined together to form numerous "kingdoms' economies" of the modern times under which the unified character of the market is broken, monopoly is further enhanced, the market environment for equality in competition and the market's selective functions in resources allocation are stalled. This illustrates that under the traditional political structure, the normal functions of the new economic mechanism cannot be displayed. They are either twisted or alienated.

—Establishing and perfecting an indirect macroeconomic adjusting and controlling system made it possible to transform the state's adjusting and controlling of the market and of the microeconomic activities from simple reliance on administrative measures and the administrative organizational structure principally to the employment of various economic levers and market parameters. This is one of the three-in-one

missions of the economic reform. In accordance with this objective we have set up the system of the central bank and clearly demarcated the functions of the central bank and the specialized banks so as to enable this "all-powerful organization" of the bank to display its indirect adjusting and controlling functions. The state's investments in capital construction were shifted from noncompensatory appropriations from state finance to compensatory loans from the construction bank while the circulating funds needed by the enterprises were wholly changed into bank loans subject to repayment so as to enforce the responsibility system for use of funds and eliminate the system of noncompensatory appropriation of funds. Following a large-scale increase in the purchase prices of agricultural products, the prices of eggs, fowl, vegetables, and small commodities for daily use were decontrolled; and a double-track system for the prices of the means of production was pursued in the hope that by adjusting, decontrolling, and combining these practices the regulatory function of the market mechanism could be gradually expanded. Profit remittances to the treasury by state-run enterprises were changed into payment of taxes according to the regulations so as to regulate income distribution by means of the system of tax collection and payment of fees and at the same time to create a market environment of equality for the enterprises. In finance, the practice of "eating from separate kitchens" was fostered; vis-a-vis local governments at various levels, the central government enforced the system of level-by-level contracting of receipt and payment. This was to encourage the local governments to increase their receipts and practice economy in expenditures and to develop the enthusiasm of the local enterprises. These steps broke the ossified situation of the mandatory and planned regulatory structure dominating the country and played a beneficial role in enlivening the economy and particularly in invigorating circulation. What cannot be overlooked is that after these measures came on the stage, a state of overall loss of control occurred in the economic life: loss of control over the issuance of banknotes; loss of control in credits and loans; loss of control over investment in capital construction outside the plan; loss of control over prices; loss of control over the growth in collective consumption funds; and loss of control over the many forms of awards and subsidies. As to the causes giving rise to these problems, should they be understood as the "coexistence of the two kinds of structures" or as the appearance of "loopholes" in the economic regulatory structure, that is, after the breaking of the old macroeconomic regulatory structure, the new regulatory structure as not having yet been established? In reality, in any social system, economic operations have laws and regulations to follow and even at times of the change of track of the structure or policy so-called "loopholes" generally do not exist. Those measures which in recent years we have successively put into effect basically did not touch upon the government's direct control of the economic operations. Some of the measures weakened

the central government's direct control but strengthened the local government's power of direct adjustment and control; some of the measures reduced the government's power allocating finance and material resources but the personnel administrative right, particularly the right of appointing and dismissing the enterprises' leadership people, is still firmly held in the hands of the upper-level government organs or party committees. True, mandatory targets relative to production and operation have been reduced but allocation of the material resources necessary for maintaining production and operation is still subjected to administrative orders. Finance has no longer pursued the practice of "everybody eating from the same big pot" so far as the enterprises are concerned, but the practice is carried out in another form by the banks for the benefit of the enterprises and finance; profits and taxes have taken on separate channels but in reality the targets for assessing the "political" performance of the enterprises still consists of the speed (doubling or redoubling) of the growth in output value. The functions of the central bank and the specialized banks have been demarcated but the credit and loan business of the banks at various levels has still not shaken off the direct administrative intervention by governments at the same level. It can thus be seen that in the framework of the old political structure, the new operational mechanism of the commodity economy can hardly run normally. The attempt to build an independent commodity economy structure purely on reliance of the old political structure is futile.

The central task in economic reform is to enliven the enterprises so that they can become relatively independent commodity producers capable of bearing the operational risks. Hence, we have, following the line of thought of ceding interests and delegating power, successively taken a series of steps and measures such as percentage distribution of profits, contracted progressive increases of profits, expanded the enterprises' decision-making power and the contracting system, developed enterprise groups, permitted merging and amalgamation, placed the bankruptcy law in trial operation, introduced the competition mechanism, and so on. All these measures have played a useful role in arousing the enthusiasm for labor of the enterprises and staff members and workers. Unfortunately the enterprises' dependence on the umbilical cord relationship with the old political structure has not been cut.<sup>6</sup> First, the system of enterprises demarcation according to the administrative grades under the old political structure has still continued. The status in the national economy of each and every plant, store, bank, material supply station, harbor, and vehicle station is not determined by their share of business or work in the market or the condition of their business operation and management, but by the government department which is in charge of determining its corresponding administrative grade—according to its output value, output quantity, and scale of staff composition—and then appointing the corresponding administrative personnel and distributing the material resources

based on the administrative system. This practice encourages the enterprises to blindly expand capital construction investment, enlarges their personnel composition and increases their zeal for expanded reproduction by extension. Second, the enterprises' subordinate relationship to the government has still not been basically changed. Under the current structure, the subordinate assignment of planned tasks, supply of material resources, distribution of funds, delivery of taxes and profits, the allocation of cadres and technicians are all carried out according to the administrative system of departments and localities. After contracting, although an enterprise enjoys the decisionmaking power stipulated in the contracting agreement yet the enterprise's administrative subordinate relationship to the government department in charge is because of this, legalized and fixed and the enterprise is all the more comprehensively dependent and appended to the government. This phenomenon of going against the original intent of the reform is manifested even more obviously in the thriving and developing town and township industries. Town and township industries do not belong to the realm of the state's mandatory planning and regulation and in their entirety should be subjected to the regulation of the market mechanism. But town and township industries have an inseparable blood relationship with governments at the grass-roots level in the rural areas. On the one hand, speaking from the side of the town and township governments, they must directly control these enterprises and only through directly procuring from these enterprises the public accumulation or reserve funds and public facilities and meet the administrative expenditures and hence the town and township governments cannot be separated from the town and township industries. On the other hand, the establishment and survival of town and township enterprises must have the town and township governments as their backing and display this socialist golden signboard of the town and township government. Among the town and township industries, the town and township enterprises are only in name but in fact are privately run workshops that directly deliver their profits to the town and township governments. Deformed instances of this kind can be found everywhere. Third, the policy in which the state contracts for the enterprises and their staff members and workers while the enterprises themselves are responsible to the state only for the profits and do not share any of the business risks. This was called by Kornai the relationship of "the doctrine of paternal love" and has never been basically changed. To the enterprises suffering losses in operation, the state continues to support them with financial subsidies, granting them loans at low interest rates, and exempting them from tax payments. Fourth, the enterprises continue to bear the burdens, which reasonably should be taken up by the government, of certain obligations such as placement of jobs and employment, social security, and development of public enterprises. Up to now, the readjustment of the relations between the state and the enterprise and the reform of the enterprise's operational mechanism have not converted the factories from social organs at the grass-roots

level to cells of the modern commodity economy. Fifth, formation of a contingent of entrepreneurs has been impeded. Modern enterprise management needs not persons of officialdom but entrepreneurs who have taken operation and management as their profession and who possess modern management scientific method and the know how of dealing with the market. Training and creating a large contingent of entrepreneurs is an important task in the reform of the system of labor personnel. Although in this connection we have already carried out certain reforms such as introducing the competitive mechanism into contracting, advertising for talent, and having the public do the assessment work, yet all these have been unable to basically move the deep-rooted tradition of officialdom. The government fixed the enterprises' grades according to the administrative level and the leadership personnel of an enterprise as well as the leadership persons of each and every organization structure inside the enterprise are correspondingly graded according to the ranks of administrative officials; their rights, privileges, social status, and their personal value are not determined by their own knowledge, talents, and the businesses they engage in but are determined by the official posts granted by the upper-level government organ. In recent years, in the reform of the system of cadres and personnel there are many instances of bribing and acceptance of bribes, granting privately official titles, collusion between officials, and converting plants into official posts, resulting in the public advertising for talent being the name only and completely ruining competition. It can be seen that while enterprises do possess a certain degree of power in decisionmaking, yet because of the old political structure still remaining unchanged, through the road of delegating and ceding interests alone, enterprises cannot be converted into relatively independent commodity producers and an enterprise organizational mechanism suited to the modern market economy can hardly be nurtured to maturity.

Currently we are facing the tasks of overcoming the difficulties and problems generated in the course of reform. For the sake of creating the conditions for further deepening the reform, it seems that if we do not change our course and readjust the strategic arrangements for the reform, we can hardly smoothly accomplish the conversion of the structural pattern.

#### **Reunderstanding The Traditional Structural Pattern**

In reform, it is necessary first to make clear the nature of the structure, the way the economy operates under such a structure and if in the traditional socialist pattern an independent economic structure does exist. Only by so doing can we know what to reform, and where to start with and can avoid wavering and errors in the selection of the strategic steps in the reform.

In order to have a correct understanding of the nature and special features of the traditional pattern, it is necessary to make an analysis of the historical process of the formation of the socialist economy and the growth and development of its management system.

First, the state is the direct owner of the nationalized assets: state-owned assets are the principal body of the socialist economy; nationalization is the only road to the generation of state-owned assets. Assets belonging to ownership by the whole people did not spontaneously develop in the womb of the old society. They came into being after seizure of the political power by the working class and were taken over by the state through confiscation or purchasing. Thus, the state acted as the representative of the whole people and directly exercised the ownership right and right of disposal of the nationalized assets. As a result of the establishment of socialism, this ancient possessing form of state ownership for the first time in the history of mankind's economic development procured the ruling position over the other forms of possession.

Second, after the birth of the state-owned economy, the super-economic power, relying on the state's political power and with help from the state's political power, obtained the leadership position and economic superiority over other economic forms and grew stronger further. At the same time, the various socialist countries, for the sake of realizing industrialization and carrying out the strategy of "catching up and surpassing," without exception employed their political power to push the collectivization and cooperativization of agriculture, forced the persons to effect exchange at unequal prices, and proceeded with "primitive accumulation." Thus, the state's employment of administrative measures to directly interfere in the economy became an absolutely necessary condition for the state-owned economy to speed up the realization of capital accumulation and expanded reproduction.

Third, state enterprises all without exception carried out state operation, that is, the state, according to the departments and localities, empowered the governments at various levels to direct control the enterprises' production, supply and marketing as well as personnel, finance and material resources, while the enterprises themselves came under the jurisdiction of the corresponding government according to the enterprises' administrative grades. At the same time, aside from attending to the tasks of production and operation according to the government's mandates and orders, the enterprises must also perform the functions of the social organs at the grass-roots level (such as social welfare enterprises, public services and so forth).

Fourth, the state monopolized the management and control of the economy and by itself took up the four categories of economic management functions; in the capacity of representative of the whole-people ownership system in respect of the means of production, it exercised the functions of the owner; in the capacity of the controller of the macroeconomy, it performed the functions of direct regulation and control; in the capacity of the leader of the enterprises, it grasped in its hands the enterprises' policymaking power and production operation power; in the capacity of the organizer of social life,

it provided social services to the enterprises and the workers. These four types of functions depended on each other for sustenance under the traditional structure and were combined into a single body. The state leaned on its political power to realize the possession or ownership right of the means of production; it relied on the ownership right of the means of production to directly control the enterprises; it organized the economic operations through the government organs and administrative measures; and it took advantage of the overall monopoly of the economic life to strengthen its political power.

Under the socialist pattern, the relationship between the state or the government and the economy and the enterprises responsible for the economic activities is different from the relationship between the government of a feudalistic monarchy and the individual peasants and is also different from the relationship between a capitalist state and private capital. It is by no means a type of external and super-economic compulsory force. Separated from the government's overall intervention, extricated from the government's system and government's organization, and devoid of reliance on administrative orders and other administrative measures, the economy will fall into a state of paralysis and confusion and the enterprises cannot survive. Therefore, under the traditional pattern, an economic structure which is independent from the political structure does not, and cannot, exist.

On the side of the form and composition of the ownership system, after the basic completion of the socialist transformation of the private ownership system, on the surface, a pattern seemed to have been formed of the coexistence of two types of the public ownership system but if we analyze the deep-lying composition of the two types of the public ownership system, it is difficult to find any substantial difference between them. "Officially owned," "officially established," and "officially run," are the common attributes of the two and the only difference is that the peasants cannot have "everybody eating from the same big pot" at the expense of the state. Collective economy in reality is semi-state-run economy. In a state-owned economy, the government is the principal body in possession of the assets and governments at various levels on the strength of their political power exercised the ownership right and the disposal right of the assets, without depending on help from their economic strength or other intermediaries. Herein the ownership right relationship is clear-cut and there is no problem of the existence of the "ownership right existing in name only." Be it a department or a locality, each has an exclusive disposal and monopoly right over the portion of assets under its jurisdiction. This is the demarcation of spheres of influence between department and locality each attending to its own affairs. As for the people's communes in the rural areas and the large collective economy in cities and towns, the workers' groups are owners in name but the actual possession right and disposal right are grasped in the hands of the

governments at the grassroots level, although the governments do not have any obligation and responsibility regarding the deficits or losses of the collective enterprises. Hence, the reason why government is a kind of super-economic compulsory force over collective economy is entirely based on the strength of using its administrative power to interfere in the economic activities. Ownership or possession is the prerequisite of production and since the government directly possesses, then economic operations cannot be independent or outside the administrative structure.

The relation between the government and the economy can also be seen from the historical process of the realization of the wholesale or total nationalized operation. The public ownership economy of our country was established through the confiscation of bureaucratic capital and the transformation of national capital and the individual private ownership system. If it is said that the nationalization of bureaucratic capital is historically inevitable then the same cannot be said of the nationalization of medium-sized and small capital and of the individual economy. Total nationalization is a deformed child born hasty parturition by state power. It is the special product of the state relying on its political power to compulsorily push "taking class struggle as the guiding principle" and "impoverished transition."<sup>7</sup> This child of premature delivery, due to its own physiological immaturity and deformity, aside from reliance on external power and the administrative mechanism, can hardly survive. At the time of China's pushing the all-round nationalization program, it had just embarked on industrialization and modernization. The process of conversion from a self-sufficient and semi-self-sufficient economy to a socialized developed commodity economy was then still far from being completed. Illiteracy was rampant. At a time of the necessary economic, cultural and social conditions for the establishment of a scientific socialism still not having matured, the public ownership economy which had been prematurely born through reliance on political power naturally could not depend on an innate fixed economic mechanism for purposes of regulation but could only depend on external aid from an administrative organ and administrative mechanism to push its operations, and the socialist public ownership economy founded on such a background could only be deformed and twisted. In the economic history of socialism there was already the prior example of Soviet Russia enforcing the "wartime communism." In view of this historical lesson, Lenin left behind a will saying that "to become a civilized country, there must be a substantially developed production of material resources and must possess a corresponding material foundation," "without an all-round cultural revolution, it is impossible to achieve total cooperativization."<sup>8</sup> In our current study of the nature and special features of the traditional structure, we should not forget the historical background of the realization of the system of total public ownership and the system of state ownership and state operation.

On the side of the economic policymaking system, the traditional model possesses the following special features: First, the monopolistic character of economy and super-economy. The government is the only principal body in policy making. On the strength of its political power and its possession of the publicly-owned assets, it monopolizes the whole of the decisionmaking power from the macroeconomic to the microeconomic activities and the enterprises and workers who bear the burden of the economic activities are excluded from the policy making. Second, in the policymaking structure the system of administrative grades is enforced. The traditional policymaking system does not demarcate the decisionmaking power according to the state, the enterprises and the individual but follows the administrative organizational structure and the sphere of policy making is demarcated between the central government and the local governments at various levels. Third, the policymaking procedure has a high subjective character and tends to follow the wishes of those in charge. In the process of formation and enforcement of the policy, the leadership's wishes have a decisive role, news and information are of no consequence, and even the supporting statistical figures are frequently composed according to the leadership's wishes. The decisionmaker enjoys the benefits and is not responsible for the consequences in the event of errors in the decision. Fourth, the enforcement measures of decisions depend on administrative orders and various kinds of political movements. It can thus be seen that in the traditional structure, an independent economic decisionmaking structure outside the state's administrative policymaking structure does not exist. From formation to enforcement, economic policymaking is determined by the political structure.

On the side of the economic interest system, the twistings caused by the traditional pattern are mainly manifested in the following: First, the policymaker does not put economic interests or economic benefits (economic benefits are also a kind of economic interests) in the top position but places political interests above all. Second, in the interest relations, the state's interests come first while the collective interests and individual interests are not respected and protected. The state uses administrative measures to organize the disposition of the labor force and the individual worker loses his autonomous power in selecting employment; the state exercises control over the purchase prices of agricultural products and by means of exchanges at unequal prices compulsorily collects from the peasants the funds needed for industrialization. Finally, in the personnel and cadres system and the distribution system, the "official standard" is adopted, the individual's interests and power are closely linked to the official position while power and interest are separated from obligation and responsibility. This kind of interest mechanism does not have the function of self-restriction; on the contrary, it encourages people to fight for power and interests in the official circles. It can

thus be seen that in the traditional pattern, political interest occupies the top post and the interest mechanism plays its role as the operational mechanism in socio-political life.

On the side of the economic regulatory structure, the traditional pattern possesses the following special features in the process of economic operations: First, exchange is artificially eliminated in the reproduction process. Direct allocation (unified purchase, contracted marketing, unified distribution) replaces monetary exchange through the market; money as the general pricing factor is degraded to the position of a simple tool for calculation and the functions of market and market mechanism are stifled. Second, the state directly employs administrative measures to distribute capital funds, allocate material resources and places and employs labor force. It asserts administrative control over the prices of products and the prices of essential elements of production. Third, the government from top to bottom monopolizes the distribution power of the material resources while enterprises and workers exist only as objects for regulation. Fourth, the input or disposition of material resources is not determined by the objective news and information coming from the process of the economic operations but is determined by the political inclination of the leadership persons of the government. Only when a crisis appears in the economy because of the government's errors in regulation are news and information given important attention by these handling the regulation work. Thus, in the traditional pattern, the manifestations of the process of the regulation of economic operations are of an administrative character and not economic or spontaneous, are unitary and not pluralistic, belong to an externally compulsory nature and not to the realm of self-restriction by the economic entity, and proceed in a vertical and not lateral direction.

In the above we have analyzed the actual procedure of the economic operations under the traditional socialist pattern. It can be seen that the traditional structure is a unitary structure in which politics is over all and that, aside of the political-administrative structure, there does not exist an independent economic structure, and that aside from the administrative structure the original mechanism of the economy itself is completely stifled. This is the principal cause for the downward trend of the economic benefits, waste of material resources and the appearance of periodic economic crisis, and is also the basis for the formation of the "products economy." The purpose of economic reform is precisely to liberate the social productive forces from the bondage of this ossified political-administrative structure, to free the socialist economic operations from appendage to the traditional political-administrative structure and to build an independent economic structure which is suited to the nature of a socialist commodity economy. If we depart from reform of the political-administrative structure and isolatedly first reform the economic structure and if we

attempt, within the scope of the traditional political-administrative structure and rely on it to establish a new economic structure, then the reform enterprise may possibly take a circuitous road.<sup>9</sup>

Scholars engaged in the study of comparative economic structures, using different standards and from different angles described the features of the pattern of the traditional socialist economy but took the stand of starting with the conviction of the existence therein of an independent economic structure and it is hardly possible to say that they have correctly grasped the nature of the traditional structure.

Egon Newburger and Willian Darfield in their book *Comparative Economic Structures* described the "Soviet Union's type of central planning of control of the economic structure" as having the following special features: "Socialist ownership system. Means of production belong to the state's ownership and are controlled by the state"; "Mandatory economy. Centralized administrative control over the economy and detailed planning and supply of goods"; "Compulsory economy. Stressing a rather high savings rate at the objective level and a strict planning at the microeconomic level relative to production, input and stock-keeping"; "Priority economy.....political and ideological standard overriding economic consideration and occupying the ruling position"; "Development of extension"; "An economy closed to the outside world."<sup>10</sup> From this the writer derived the conclusion: Abandoning the central planning economic structure is the task of the economic reform. It should be said: the writer's analysis of the concrete special features of the Soviet Union's type of structure was rather deep-going but these special features showed that under this pattern economic operations completely relied on the administrative structure and the administrative mechanism and that outside of the political-administrative structure an independent planned economic structure did not exist. Hence, in order to overcome the waste of material resources and low benefits, the way out does not lie in reforming the unwarranted "central planning economic structure" but in first of all reforming the political-administrative structure.

From the angle of economic decisionmaking, Bruce divided the socialist economic structure into four patterns: military communist pattern; collective pattern; central planning economic pattern embracing a controlled market mechanism; and market socialist pattern.<sup>11</sup> Bruce believed that in evaluating the strong points and defects of the various patterns, it is necessary "to consider the various external conditions and also the factors which serve as the internal features but exceed the narrow scope of the economic operational structure,"<sup>12</sup> one of which is the "political structure." "Under the conditions of the public ownership system and the state playing an important role in the economy too high an estate simply cannot be made of the role of the political element."<sup>13</sup> But he further said: "This is not to say that if the political structure is not taken as a

changeable factor, then the method of solution relative to the side of the economic mechanism being available for selection should not be discussed."<sup>14</sup> Bruce took the demarcation of the power of decision making to describe the pattern of the socialist economic structure and looked at the political structure as a factor which "surpassed the scope of the narrow economic operational structure." Obviously he did not correctly grasp the essential special feature of the traditional pattern. In fixing the basis for demarcating the up-to-now socialist economic pattern, it is necessary to grasp the relations between the various countries' economic operations and their political structures and the demarcation should be made on the basis of the economic operations' appendage degree to the political structure. Outside of this, the reform may repeat the mistakes of the "administrative division of power."<sup>15</sup>

Kornai used direct administrative coordination to generalize the special feature of the traditional pattern. By so doing he seemed to have advanced a step ahead of the other scholars in describing the relation between the administrative structure and the economic operations. Undoubtedly it will be of help to people in probing the strategic steps of the reform in their actual practices.

#### Where Should Reform Start and Deepen

From the above analysis, it is not difficult to derive the following conclusion: All-round reform should select reform of the political structure as the starting point; in the current deepening of the reform, the central attack should be made on the reform of the political structure so as to create the necessary political prerequisite for the all-round coordinating with the economic reform.

Early on Engels said: "The counteraction of national power on economic development may be of three sorts: It may play its role along the same direction in which case the development will be relatively fast; it may play its role in the reverse direction, under the conditions of which and in each and every large race of people at present it will surely collapse after a started period; or it may hinder the economic development along a certain direction and push it toward another direction of development; In the final analysis, the above-mentioned condition number 3 may be included into one of the two conditions first mentioned. It is quite obvious that under the second and third conditions, political power can cause great damages to economic development and cause waste of a large amount of manpower and material power."<sup>16</sup> The history of China's economic construction has testified to Engel's views being entirely correct. For a prolonged period of time, the state's power has not been fully in conformity with the direction of economic development in pushing the development of the economy; on the contrary, it has followed the reverse direction of the development of the socialized commodity economy and hindered the development of the economy.

- After the basic establishment of the socialist economic system, the main task and function of the political structure continued to compulsorily push “class struggle as the leading factor,” caused endless political disruptions, deranged the class line and disrupted the normal economic order and caused the slow development of the social productive forces even to the extent of at times bringing about a state of stagnation and decline;
- Regarding the relations between socialist commodity and money the policy enforced was one of repelling, restricting, discriminating and even banning; the principle of exchange at equal value was broken, the autonomous power which the collectives and the individuals should possess was exploited and taken away, the markets were closed and the economic functions of the market were stifled;
- The air of official workers, official merchants and official peasants was prevalent; economic organizations assumed an administrative character and were “yamens” or government organs;
- Swelling and inflation of the controlling departments, overemployment, bureaucraticism, giving blind directions or orders, and using power to seek private gains;
- The closure of external relations hampered economic technological exchange with the developed countries; this enlarged the discrepancies between our country and the developed countries in the sectors of economics, technology, science, and culture, and threatened our country’s rating in the “football field.”

It can thus be seen that the political structure was precisely the guilty party in causing the slow development and even stagnation in our country’s social productive forces. It caused enormous waste of our social resources and even pushed the national economy to the brink of total collapse. The source of the formation of the “products economy” was also precisely state power moving in the opposite direction of economic department. Hence, reform of the political structure should be the major point, the principal direction of attack and the breakthrough point of the overall reform.

The process of our country’s reform over the past 10 years has shown that the old political structure was the main hindrance to the fostering and development of the new economic mechanism. In the framework of the old political structure, economic reform can hardly advance its steps and the new economic mechanism was either twisted and changed in form or met with the destiny of an early death.

The contradiction between the old political structure and the new economic mechanism has become the main hindrance to the deepening of the reform. Although in the past 10 years certain partial and limited readjustments have been made in the political structure, yet the

infrastructure of the political structure has not been basically changed. Inside the framework of the original political structure to base on it to carry out to carry out reform, a reform strategy of this kind can hardly be followed.<sup>17</sup>

Since the 1950’s, economic reform in socialist countries has taken a circuitous path. In certain countries during the middle period of the 1950’s, a wave of economic reform surged forth but by the 1970’s, nearly all of them ended in failure. If we look into the causes, we can find that this was not wholly unrelated to the errors in the selection of the reform’s strategic procedures. First, in the framework of the old political-administrative structure, economic reform advanced alone and singlehandedly but it embraced as its contents the streamlining and power-delegation of the central government and readjustment of the relations between the departments and the localities. The result caused confusion in economic life and the management structure went into the dead end of “decontrol—confusion—centralization of power—unification—death.” Second, economic reform met with the strong boycotting and opposition from those who had benefitted from the old political-administrative structure, namely, those at the bureaucratic level who had special rights. In the Soviet Union and certain East European countries the economic reform came to a halt with the criticism of the so-called “market socialism.” History has taught us that without reform of the political structure taking the lead, inside the framework of the old political structure the socialist commodity economic structure can hardly be fostered and developed.

In recent years among the economic academic circles in our country, the views on the problem of the selection of the strategic steps for the economic reform have been rather divergent. I would like to discuss certain of the viewpoints which have a representative nature. One of them, “theory of the priority of reform of the ownership system,” believes that reform of the ownership system is the reform’s basic line of thought. Reform of the ownership system is the key to economic reform and without the reform of the ownership system, reform of the political structure cannot be deepened.<sup>18</sup> Another of the viewpoints is known as the “theory of integrated and coordinated reform.” It upholds the adoption of firm measures and artificially building a relative lax economic environment and following up with pushing a coordinated reform of prices, taxes and profits, finance and currency; it advocates placing the major point of the reform on smoothing out the basic economic relations and insisting on the guideline of carrying out coordinated reform on the side of the tri-party reciprocal liaison of the enterprise, market, and macroeconomic control structure.<sup>19</sup> Both of these viewpoints are rather prejudicial. They both discuss reform confined to the economic angle and to the angle of the economic structure and fail to look for a strategic selection for the reform from the special features of the traditional socialist pattern and the historical background of its formation.



Reforming the pattern of the traditional state-ownership system so that it is suited to the nature of socialist commodity economy is an important task in the economic reform. What should be the preferable positioning of these two reforms, the one on the ownership system and that on the political structure? Should political reform take reform of the ownership system as the condition or should reform of the ownership system take political reform as the prerequisite? The answer is the latter and not the former. Carrying out reform of the ownership system within the framework of the old political-administrative structure (though already partially readjusted) may produce the following possible consequences: (1) After government has delegated the operation and management power to the enterprise, it can still, through other means, indirectly control the enterprise's operation and management. For example, if only the government retains the power of appointing, dismissing or approving the appointment or dismissal of the enterprise's managerial personnel, the enterprise will find it difficult to shake off its position of appendage to the government. In such a case the enterprise itself has no "vitality" to speak of and all depends on the government's "favor." (2) Change in the registration of the signboard of the economic controlling department is only in name and not in substance. The controlling department emerges as being independent from the government structure; in form it is government being separated from enterprise functions, but in reality it still performs the functions of a grade of government organizations, or still is appended to the government. (3) Interruption of the legal control of the economy. Nonobservance of laws, injustice in execution of the law, words replacing law and the official is higher than law. (4) Opportunity is given to certain government officials to seek private gains by power. For example, in doing contracting work, appointing managers, leasing out of selling small enterprises, buying and selling of securities, government officials may use the power in their hands or other relationships to obtain real benefits which other citizens cannot obtain. (5) Like magic, certain government officials become "entrepreneurs" and add economic power to their political power. Forthwith, large or small occurrences of "corruption in officialdom" arise; and new bureaucratic capital obtains fertile soil for breeding. Hence, in the framework of an economic-administrative structure which runs counter to the socialist commodity economy, it is difficult to transform state ownership to an ownership system which is suited to the commodity character of the socialist economy.

The same reasoning applies to "the coordinated reform on the three sides of the enterprise, market and macroeconomic regulatory structure." Speaking from the economic structure itself, coordinated reform on the three sides is more rational than making a unitary breakthrough. But if it is seen inside the traditional socialist pattern, without reform of the political-administrative structure, although the three sides are coordinated, still it will be difficult to achieve good results. It should be pointed out that people have frequently mixed together

the rebuilding of the macroeconomic regulatory structure and reform of the political-administrative structure. Political-administrative structure and the macroeconomic regulatory system are not one and the same thing. Rebuilding of the macroeconomic regulatory system is not replacing the transformation of the political-administrative structural pattern. If we take the operational mechanism of the commodity economy itself to replace the administrative mechanism and do not take the reform of the political-administrative structure as the prerequisite, no perfect program can be realized. This is because: First, economic reform needs a stable and united social environment and not to carry out reform of the political structure cannot form such a social environment. Second, economic reform needs the support of a relatively strong national financial power. This requires that economic development at a certain stage to give way to reform, but in a political structure which lacks a balancing mechanism between power centralization and the lack or shortage of power, the policymaker's behavior is frequently driven by political inclination, resulting in growth being overheated and in economic life being keyed up all the time, thus making it difficult to push any big and important measure of reform. Third, economic reform demands not only the formulation and perfection of economic laws but also the strict observance by reform itself of the legal procedure. This is a necessary condition to ensure that reform will progress in an orderly and stable manner. But under the conditions of the decisionmaking procedure being governed by human wishes, undemocratic and unscientific reform planning takes a pounding and falls out of step. Fourth, if the objective of the structural reform is market-oriented, the state, the market and the enterprise must pursue between them the method of division of power in policymaking, but in the framework of the old political-administrative structure, policy making by division of power can only lead to a disguised form of "divided economy" and there is no possibility of the realization of "division of power of an economic nature." Fifth, economic reform is a great readjustment of the interests among people. It is meant to create for mankind a market environment of competition in equality, to block officialdom's road to money-making by means of political power, and to eliminate all kinds of special privileges. It is difficult to imagine that those personages and those accustomed to reading benefits from the old political structure and depending on it for living can accept such changes without a struggle. In short, the all-round transformation of the economic operational mechanism can hardly be realized without the precondition of coordination of reform of the political-administrative structure.<sup>20</sup>

#### Footnotes

1. "In the ten years of the reform, not a single operation was undertaken on the body of the government, the manipulator of the economic operations and the many big and important reform operations never touched the original blood relationship of the government and the various sectors of the economy"—Zheng Jiang and Liu

Jingping: "Initial Investigation Into the Status and Effects of the Government in China's Economy," JINGJI YANJIU No 10, 1988.

2. See article by Chen Shiwen, "China's Rural Economy: Transformation From Extraordinary Growth to Ordinary Growth," JINGJI YANJIU No 12, 1987.

3. According to a survey made in Shanghai Municipality in 1987, the unemployment rate was 14 to 25 percent, or from 700,000 to 1.2 million people (see SHIJIE JINGJI DAO BAO, January 25, 1988).

4. In the whole country there were 13 plants whose production was easily adjustable and they introduced over 40 production assembling lines (See RENMIN RIBAO, July 1, 1988). In 1979, there were only 10 plants producing electric fans. In 1981, the number sharply increased to 3,000 (see RENMIN RIBAO, June 30, 1988).

5. From 1977 to 1986 collective consumption in the whole country increased by nearly 250 percent whereas the increase in financial revenues of the entire country was only 150 percent. From 1981 to 1986, in the whole country the amount of public funds spent on the purchase of small motor car sedans increased by 1150 percent and the actual number of sedans purchased increased by 620 percent, or 300,000 sedans. Each year the cost of maintenance of a sedan was at least 10,000 yuan. (See RENMIN RIBAO, December 1, 1987).

6. Ryutoro Komiya: "Under no circumstances can China's factories be called enterprises in the normal context," [competitive market mechanism and enterprise's functions] KEJI DAOBAO No 2, 1986.

7. In the 1956 transformation of private capital 860,000 industrial and commercial personages were classified as capitalists; a reassessment made by the state's relevant departments in 1979 found that 700,000 people had been converted into workers; the erroneous classification rate was 81 percent.

8. Lenin: "On the Cooperative System," in *Selected Works of Lenin*, Vol 4, pp 687-688.

9. "Due to historical causes, China's political functions, to a very large extent and in the contexts of control and domination, override the realm of economic and cultural functions and hence in China's current social reform, political reform necessarily occupies the reform's pivotal position," article by Li Ming, "Going the Road of Minimum Risks," in JINGJIXUE DAOBAO, November 27, 1988.

10. Book by Egon Newburger, William Darfield and others of the USA *Comparative Economic Structures—Comparison From the Decisionmaking Angle*, Commercial Press, 1984 edition, pp 181-182.

11. F. Bruce of Poland, *Various Structures of Socialist Economy—Historical Experiences and Theoretical Suppositions, Selected Works on the Problem of Socialist Economic Pattern*. Renmin Publishing House, 1983 edition, pp 61-77.

12. Loc. cit.

13. Loc. cit.

14. Loc. cit.

15. Newburger, *ibid.*, p 203.

16. Engels' letter to K. Schmitt, Oct 27, 1890, in *Collection of Letters and Correspondences on 'Das Kapital' by Marx and Engels*, p 505.

17. "Enforcing local division of power inside the framework of a mandatory economy can result only in confusion in the national economy." "Fixing the targets of a planned commodity economy implies the thorough refutation of the road of 'administrative division of power' which cannot avoid wavering between 'departmental dictatorship' envisaging a high degree of centralization of power and 'earmarking of spheres of interests by the localities' or decentralism." Article by Wu Jinglian "Certain Considerations on Selection of the Strategy for Reform," JINGJI YANJIU, No 2, 1987.

18. See article "Pong Yining Discusses Reform of the Ownership System," LILUN XINXI BAO, December 28, 1987.

19. See article by Wu Jinglian in JINGJI YANJIU No 2, 1987.

20. After completing the manuscript of this article, I happened to come across an article written by Bruce and published in Issue No 2, 1989, of the COMPARATIVE ECONOMIC SOCIAL STRUCTURES magazine, bearing the title "Self-Portrayal of an Economist on Reform." When talking about the changes in his own academic thinking, the author of the article said that Poland's failures in the reform of the 1950's "deeply affected our attitude. The reciprocal role between economic reform and political reform has gradually become the main object of my concern, and has stamped my reform economics with such a brand....I not only clearly take political reform as the condition of being included as an extremely important market portion in the economic structure, but also consider it as an absolutely necessary and essential element in the composition of a rational socialist economic structure."

## PROVINCIAL

### Fujian Governor on Economic Work

OW2507020289 Fuzhou FUJIAN RIBAO in Chinese  
10 Jun 89 p 1

[Excerpts] "We should fully affirm the fine situation of economic development in our province during the first 5 months of this year. At the same time, however, we should see the problems and difficulties before us, and take economic stabilization as a major task to obtaining current overall stability. We should have firm confidence and make every effort to surmount difficulties; ensure the successful fulfillment of all economic plans for this year; maintain a stable, sustained, and coordinated development of our province's economic construction; and win new victories in production, construction, reform, and opening to the outside world." This is a demand put on the vast numbers of cadres and masses in the province at an enlarged meeting of the Standing Committee of the provincial party committee held on 8 June.

The meeting, presided over by Chen Guangyi, secretary of the provincial party committee, specifically studied our province's economic development since the beginning of this year, reviewed the progress made during the period from January to May, analyzed the present difficulties and problems, and put forward measures and methods for solving the problems. Also present at the meeting were leaders from the provincial party committee, the provincial advisory commission, the provincial discipline inspection commission, the Standing Committee of the provincial people's congress, and the provincial government, as well as responsible comrades from the provincial departments concerned.

Participants in the meeting heard a report by Vice Governor You Dexin, entitled "General Situation of Economic Development in Our Province during the First 5 Months of this Year." [passage omitted]

In his report, Vice Government You said: This year, our province has made serious efforts to implement the central authorities' principle of improving the economic environment, rectifying economic order, and comprehensively deepening reform. Our economy has continued to develop in a healthy and stable way. Agriculture has shown a turn for the better. The growth rate of industry has become normal, bringing about greater economic results. Effective market supply has increased to some extent. The scale of fixed asset investment has been further curtailed. A better trend in the development of the export-oriented economy has appeared, and revenue has risen by a big margin. He dwelt on the following eight points to elaborate on this:

1. Leadership over agriculture has been strengthened, and agricultural input has increased. In our province's budget for this year, expenditure for agriculture

(including agricultural development funds) is 111 million yuan more than last year, or an increase of 34.2 percent. Agriculture in the whole province has shown a turn for the better. Harvest of spring grain has increased appreciably, with output expected to surpass last year by over 100 million jin. As for early rice, the acreage has expanded compared with last year, and the crop is now in good growing condition. Work of spring afforestation has overfulfilled the plan by 17.7 percent. Aquatic production has also shown a rise over the corresponding period of last year.

2. The industrial growth rate has become normal, and the economic benefits from industry have continued to go up. From January to May, the accumulated total industrial output value in the province was 10,839 million yuan, up 19.6 percent over the corresponding period of last year. [passage omitted]

3. The investment scale has been further curtailed. The general scale of fixed asset investment projects under construction in the province has been basically clarified. There are 920 projects for which either construction has been deferred or amounts of investment have been reduced. The total reduction of investment is 1,647 million yuan. [passage omitted]

4. Exports have continued to rise. The total amount of our province's exports from January to May was \$515 million, or 47.43 percent of the annual target. Compared with last year's corresponding period, this showed a rise of 9.62 percent. Good efforts have been made to utilize foreign capital. From January to May, the province approved 397 enterprise projects with direct investment by foreign businesses, up 16 percent compared with last year's corresponding period, while the amount involved in agreements signed on using foreign capital was \$284 million, showing an increase of 1.19 times. Meanwhile, there has appeared an upward trend in the establishment of wholly-foreign-owned enterprises. Foreign capital solicited by coastal prefectures and cities have increased quickly, while the amount absorbed by prefectures and cities in mountain areas has also been on the rise. Investment by compatriots from Taiwan has continued to rise. Continued progress has been made in obtaining construction contracts abroad and in the export of labor.

5. The market condition has been relatively stable with an increase in commodity supply. Retail sales of commodities in the province from January to May are estimated at 9.9 billion yuan, or 30 percent more than last year's corresponding period. Grain supply has continued to rise, while sales have declined, and accordingly the grain stock has climbed up. As for principal non-staple foods, supply has been ample, while buying and selling have been stable. Procurement of necessities for people's daily needs has increased. This has alleviated the strained situation of supply and demand of these commodities. Meanwhile, the work of supply of means of production required by enterprises has also been better than in previous years.

6. The increase of price indices has become markedly slower. The prices of major nonstaple foods are basically stable, and the rise of prices for some major industrial products is basically under control.

7. Fujian's revenues have reached 2,098 million yuan, or 46.7 percent of its annual budget, up 33.8 percent from the corresponding period last year. Its expenditure reached 1.68 billion yuan, or 34.8 percent of its annual plan, up 28.2 percent from the corresponding period last year.

8. In January-May, various savings deposits increased by 2,397 million yuan, an increase by 561 million yuan over the corresponding period of last year. The increase of deposits is mainly based on three aspects: an increase of urban and rural savings deposits, a gradual upturn in enterprises' deposits and an increase in local revenue deposits. Large amounts of currency were withdrawn from circulation. The financial situation was better than expected. [passage omitted]

After the report was heard and discussed, Jia Qinglin, deputy secretary of the provincial party committee; Hu Hong, chairman of the provincial advisory committee; and Cheng Xu, chairman of the provincial people's congress Standing Committee, took the floor one after another. Jia Qinglin stressed the importance of stabilizing the economy and the market and called for all departments concerned to do well in stabilizing rural areas, enterprises, and workers, help enterprises, particularly key ones, solve existing difficulties, guarantee an increase in effective supplies, and solve problems in economic life. It is necessary to develop the enthusiasm of local departments and enterprises. It is necessary to keep the good tendency of opening to the outside world, exporting products to earn foreign exchange, and using foreign capital, make efforts to run the existing three kinds of enterprises partially or wholly foreign-owned, and use recognizable economic results to strengthen the appeal to foreign firms.

At the meeting, Chen Guangyi spoke on the following five aspects:

1. From January to May of this year, Fujian's society was basically stable, and its economy continued to develop in a healthy and stable direction. This was achieved after leaders at all levels and the vast number of cadres did a lot of work and surmounted numerous difficulties to implement the policy of improving the economic environment and rectifying economic order, carrying out reform in depth, and persisting in opening to the outside world. [passage omitted]

2. It is necessary to regard stabilizing the economy as an important task of calming the current situation as a whole. Party and government departments at all levels must uphold the four cardinal principles, take a clear-cut stand against turmoil, conscientiously strengthen leadership, stabilize campuses, rural areas, and enterprises,

and resolutely safeguard the normal production and work order in enterprises. No units or individuals are permitted to establish ties with enterprises. [passage omitted]

3. We must persist in opening to the outside world, strive hard to attract foreign capital, and increase our exports to earn more foreign exchange. We must make sure to successfully attract foreign capital; strive to run the existing three kinds of enterprises partially or wholly foreign-owned; guarantee the fulfillment of contracts; guarantee the supply of water, electricity, transport facilities, and communications on a priority basis; guarantee safety in enterprise production; and guarantee the legitimate rights and interests of foreign firms. We must continue improving the environment for investors and use preferential treatment and good service to quicken the pace of attracting foreign capital and capital of overseas Chinese, Hong Kong, and Taiwan businessmen. We also intend to designate one or two tracts of land on the seacoast as Taiwan businessmen's investment zones. Our society is stable, and foreign businessmen who continue investing in plants in Fujian can feel completely at ease.

4. It is necessary to further implement the policy of improving the economic environment, rectifying economic order, and carrying out reform in depth. It is necessary to continue cutting investments in fixed assets, readjusting the economic structure, and strive to raise economic results. [passage omitted]

5. It is necessary to conscientiously stabilize the market, guarantee effective supplies, regard stabilizing commodity prices as a key question to grasp, and further strengthen commodity price management. [passage omitted]

## SMALL-SCALE ENTERPRISES

### Suzhou Township Enterprises Confront, Counteract Difficulties

40060633b Beijing ZHONGGUO XIANGZHENQIYE  
BAO in Chinese 26 May 89 p 1

[Article by Zhu Huaming 2611 5478 2494 and Gu Xian 7357 2009: "Suzhou Township Enterprises Meet Difficulties Head-On in Advancement—Conscientiously Readjust, Conduct Self-Improvement"]

[Text] Township enterprises of Suzhou have conducted conscientious readjustment and rational strategies in rectification of the economic order and, although the rate of development for the first quarter of this year has been somewhat reduced in comparison to that of last year, there has still been some growth in economic benefits.

During the first quarter of this year Suzhou township enterprises experienced a stern test. Some plants, mills, and factories in the chemical, building materials, and textile industries had to shut down as soon as they

started production and economic benefits were reduced to the point that the enterprises were incurring losses placing the enterprises in an extremely difficult position. How did these enterprises extricate themselves from this predicament?

Suzhou township enterprises actively carried out readjustment and, by conducting analysis of enterprises based on importance and urgency, getting a grip on conflicting demands, and by using strong points to make up for weak areas relied on advance key enterprises to bring along and support the enterprises that were having difficulties. The national per capita output value for 1988 was 5,181 yuan. One of the best townships in Suzhou is the town of Tangqiao in the city of Zhangjiagang. It carried out readjustment by stressing the enterprise, fund, commodity, and labor structures and keyed on town-run enterprises that account for two thirds of the total capital to establish a Tangqiao Enterprise Consortium Limited Company. This resulted in the regional economy being formed into one entity, enabled collective decisionmaking for problems that crop up, a reduction of mistakes, and achieved a concentration of authority for operating funds, extending enterprise management authority, strengthened economic adjustment authority, and unified authority for distribution of benefits. Furthermore, through enterprise annexation, decreasing consumption of funds, development of new products, improving labor alignment, and other measures, it achieved marked results, the production rate was normal for the entire town during the first quarter, with synchronized growth of taxes and profits.

Suzhou township enterprises adopted preferential policies for supporting the development of a foreign-oriented economy. In 1988, 162 of the 165 townships in the municipality entered the foreign trade production ranks with more than 900 enterprises producing over 800 varieties of export products. During the first 3 months of this year the municipality's township enterprise foreign sales volume showed a 40-percent increase compared to the same period last year.

In the development of a foreign-oriented economy, stressing the opening up of products that are highly advanced and have good prospects for the future promotes a shift from labor-intensive enterprises to technology-intensive enterprises. Wixian County concentrated on "using exports to support imports," and while importing advanced foreign technology based themselves on the enterprise's current "stepped-price" capability of equipment and, using the market as a guide, developed good selling products that suit the market and ensured full utilization of machinery in key industries. The county's total sales income during the first quarter totaled 840 million yuan and realized an after-tax profit of 38.49 million yuan, these were both higher than the figures for the same period of last year.

In light of the tight money situation following state macrocontrol, Suzhou township enterprises, through the factors of increased expenditures for tapping latent

potentials and assimilation, made tapping internal latent powers of enterprises an important component of readjustment. This year the proficient Tang Brick and Tile Factory estimated that, because of rising prices of electricity, coal, and raw materials, and increased expenditures for land fees and deposits for land resources, expenditures for the year will total 634,800 yuan. This factory took a hand in the aspects of receiving fees, vehicle fees, internal enterprise "reductions," and the cutting down of redundant personnel to require a total of 660,000 yuan in expenditure reductions and thereby increased income. After measures to reduce expenditures were implemented at the beginning of the year, results were readily seen and the danger of incurring a loss was averted. Many enterprises have sped up the circulation of funds and reduced the effect this has on the next production period. The Zhangjiagang Woolen Textile Corporation used its competitive products to acquire over 1.7 million yuan of prepaid orders from customers and also developed and marketed four hot-selling products and used this liquid capital to make a major change for the better in the economic situation of the enterprise.

All of Suzhou's townships formulated "self-saving" measures suited to the actual situation in their local area. Wujiang County established the No 2 Industrial Company, which specializes in providing services to village-run enterprises to guide and help these enterprises do a good job in readjustment and overcoming difficulties. Some townships in Taicang County, in order to adapt to the needs of the new situation, established an enterprise-managed and foreign-oriented economy, plus small leading groups that carry out the functions of "delivery of goods and settling of accounts" and the breaking down of borrowed funds. The county worked hard for enterprises to be realistic in their goals and the expected results were achieved.

Suzhou township enterprises that have consistently used opening up training of talented personnel as the basis for developing production, stressed personnel training even more in the climate of the economic order rectification. In township enterprises throughout the municipality the number of personnel that have attended a special secondary or higher technical school and those that hold the title of technician account for over 4 percent of the overall number of staff and workers. More than 3,000 enterprises have formed a "two, four, eight" pagoda-like personnel structure (each enterprise having two university graduates, four special secondary school graduates, and eight technical school graduates). After winning the 1988 "Xinghuo [2502 3499] Personnel Training Award" conferred by state departmental committees, the municipality did not slack off, but, based on requirements of the new situation, again formulated detailed plans and arrangements for this year and began conducting training of job functions for enterprise legal representatives, industry supply and marketing personnel, and factory directors (managers) for enterprises with an output value of over 10 million yuan so that a good foundation could be laid for township enterprises' later endeavors.

## FOREIGN TRADE, INVESTMENT

### Shortages of Material, Funds Result in 'Multitude of Problems'

40060675 Hong Kong WEN WEI PO in Chinese  
14-15 Jul 89

[Article by Lin Kuang 2651 0342: "Multitude of Problems Facing China's Foreign Trade; Raw Material Shortages, Credit Squeeze—Future Development Under Serious Pressure"]

[14 Jul 89 p 36]

[Text] According to statistics released by Chinese officials on this year's foreign trade from January to May, exports totaled \$15.64 billion, which is slightly lower than for the same period of the previous year. Imports totaled \$14.01 billion, 14.4 percent higher than for the same period of the previous year. The drop in exports for the first 5 months of this year is the first such drop in the 1980's. During the last few years, Chinese exports have risen steadily. Exports in 1988 rose by 20.6 percent over 1987.

The drop in China's exports is an extremely dangerous signal. China's foreign exchange-earning exports are like a hobbled giant, bearing singlehandedly the entire burden of balancing China's intake and expenditure of foreign exchange, because foreign exchange earnings from tourism have dropped sharply, foreign loans have been temporarily curtailed, and imports are growing quickly. Foreign trade itself, though, is facing one crisis after another, and the situation since June appears to have worsened further. With regard to imports, local governments and enterprises, fearing that the central government will further tighten foreign exchange controls in order to combat the emergency, pulled out all the stops to purchase imports and use up foreign exchange on hand. This caused June import orders to rise precipitously. The appearance of this phenomenon will cause China's international balance of payments to face the most serious crisis since the beginning of the policy of opening up. It is estimated that this year's tourism earnings will decrease by approximately one-half. Exports are decreasing while imports continue to grow. By the end of this year, China's trade deficit will break \$10 billion barrier, and this is a conservative estimate.

China's successive foreign trade crises are one reflection of its steadily worsening economy. In addition to being affected by the domestic credit squeeze, inflation, raw material shortages, and uncoordinated foreign trade policies, China's exports at the same time are affected by the current unrest:

1. With the credit squeeze, foreign trade companies do not have enough funds to purchase commodities. At present, almost all central government companies specializing in foreign trade are facing a shortage of funds, and they are unable to secure new bank loans. In the past, with easier credit, factories were willing to let the foreign trade companies first export their product and collect payment later.

Now, however, factories lack funds, and in order to sustain production of export goods, they require that foreign trade companies lend them cash to purchase raw materials. The goods that are then manufactured from these raw materials are bartered back to the foreign trade companies as payment for the cash loans. In this way, large amounts of trade company funds are tied up, and they have no money to buy export goods. Without goods, they naturally dare not sign export contracts. This has led to a decrease in exports.

2. Inflation has caused serious losses for foreign trade companies. Due to the fact that China's domestic prices, which were already high, have continued to rise this year, the price index for the first quarter of 1989 rose 29.4 percent over the same period of last year. However, prices in the free commodities market were 36.9 percent higher than a year earlier. Inflation has led to widespread panic buying and hoarding, and the more people buy, the faster prices rise. Although a series of government price controls have been introduced, prices continue to rise. According to reports from some provincial and municipal raw materials markets, raw materials in June were 35 percent higher than in March. However, state subsidies for foreign-invested enterprises are being administered on a 3-year contract basis. Due to domestic inflation, the more that foreign trade companies export, the more they lose, for which reason foreign-owned companies look upon exports as a heavy burden. They decrease exports in order to cut losses and fend off the government.

3. Domestic shortages of coal and electricity, as well as insufficient raw materials, have made production of export goods a very unsure thing. This year, because of shortages of coal, electricity, other energy resources, and insufficient raw materials, the fulfillment rate of contracts for supply of goods between enterprises and foreign trade companies has dropped sharply. This has made it impossible to fulfill some international contracts. In addition, political unrest, obstruction of transportation, and transport difficulties have caused goods to arrive late to port. The fulfillment rate for export delivery contracts in May and June dropped clearly in comparison with the same period last year.

[15 Jul 89 p 28]

4. Irrational export restrictions have caused exports to fall off. From the latter half of last year through the first quarter of this year, due to conflicts between the central government and local governments over distribution of export profits, the Ministry of Foreign Economic Relations and Trade [MOFERT] and the Customs Administration imposed export taxes on several dozen profitable large-volume export items. The rates range from 20 to 80 percent. At the same time, MOFERT expanded the scope of export control by adding several dozen items (mostly large-volume commodities) to the list of those that require export permits. In the second quarter of this year, authority to issue export permits was recentralized step by step. The issuance of export permits for some products which in the past fell to local governments was switched to a special MOFERT representative stationed in the port;

export permits issued by the special MOFERT representative in the port were later issued instead from Beijing by MOFERT. This centralization of power can only restrict exports and strengthen bureaucratism. Foreign trade companies on the mainland indicate that several trips to Beijing are now required in order to obtain one export permit, and the process takes several months. This causes many products to miss their season and peak sales periods to pass by. It also causes serious losses to foreign trade companies. For this reason, foreign trade companies give the following appraisal of this move by MOFERT: "When reform and opening up are being pushed, MOFERT lags behind; when recentralization of power is the order of the day, MOFERT is out in front." The appraisal of foreign businessmen is that "no country in the world restricts exports the way China does."

5. Conditions are unstable, confidence has fallen, and risks have increased. Because of strong, negative reaction throughout the world to the suppression of the student movement, China has been hit with one sanction after another. When foreign businessmen purchase Chinese export products, they must consider the political risks. For example, could the importing country raise its tariffs on Chinese goods or implement some other type of restriction? Will shoppers be psychologically indisposed to purchase Chinese goods? For example, will some of those who participated in protest marches refuse to buy Chinese goods? On another front, foreign businessmen fear that further unrest may cause them financial losses. Business principles argue against running political risks, but if there are sufficient profits to satisfy businessmen, they will be willing to run partial political risks. However, the result is that the price of Chinese goods will be forced down. The motive would be to remove pointless losses by calculating the risks into the equation.

6. Deteriorating business ethics and an unsound legal system have caused foreign businessmen to lose confidence in Chinese goods. In recent years, due to a chaotic management system, nondelivery or late delivery of Chinese goods has been a common occurrence. Because of an unsound legal system, foreign businessmen who have been treated unfairly have had no venue for appeal. In addition, the volume of substandard export goods has risen year after year. Requests for compensation have become more and more numerous. These phenomena have caused foreign businessmen to lose confidence in Chinese goods. For foreign businessmen who come to do business in China, hotel rates double during trade fairs, and Chinese hotels rank among the most expensive in the world. Some small businessmen simply cannot afford it. For this reason, participants in the Canton Trade Fair and other smaller trade fairs have spent less and less time in China in recent years.

As the aforementioned factors show, the recurrent crises facing China's exports reflect China's current economic difficulties. In recent years, China's export earnings have not been sufficient to offset even its exporting expenses. With slumping exports and the steep drop this year in

tourism's invisible foreign exchange earnings, the situation will become worse. Beginning next year, China will be approaching a peak loan repayment period. When the time comes, what will be used to repay the foreign debts and interest? Will China's international balance of payments come to a crisis similar to that of South American countries? This is a question worth paying attention to.

## AGRICULTURE

### Anhui Vegetable Exports to Japan

40060686b Hefei ANHUI RIBAO in Chinese  
2 Jul 89 p 1

[Summary] The Wuhu Cold Storage Plant in Anhui Province exported 500 tons of frozen vegetables to Japan.

### Rapeseed Area, Procurement in Anhui

40060686f Hefei ANHUI RIBAO in Chinese  
15 Jun 89 p 2

[Summary] The area sown to rapeseed in Anhui Province exceeds 11 million mu. As of 5 June, grain departments in Anhui had procured 51,936,000 kilograms of rapeseed; the procurement task is 461 million kilograms.

### Guangdong Sugar Output, Area

40060695b Beijing NONGMIN RIBAO in Chinese  
20 Jun 89 p 1

[Summary] During the just concluded pressing season, Guangdong Province produced 1,270,000 tons of cane sugar, an increase of 150,000 tons over the previous pressing season. In 1989 the sugarcane area in Guangdong will reach 3,970,000 mu, an increase of more than 10 percent over 1988.

### Hebei Implements New Special Product Tax Collection Method

40060684a Shijiazhuang HEBEI RIBAO in Chinese  
9 Jun 89 p 2

[Report: "Method of Collecting Agricultural Tax on Hebei Province's Agricultural and Forestry Special Products"]

[Text]Article 1 To adjust the income level and tax burden between the production of grain and economic crops and the production of agricultural and forestry special products, to promote stable growth of grain production, to increase agricultural investment, and to promote coordinated development of agricultural production, in line with the spirit of the "State Council Notice on Doing Better Work in the Collection of the Agricultural Tax on Agricultural and Forestry Special Products" (State Council, No 28, 1989), which has been integrated with our province's situation, we have formulated this method.

**Article 2** All units and individuals who engage in the production of agricultural and forestry special products and derive income therefrom should pay the agricultural tax on agricultural and forestry special products (shortened below to agriculture-forestry special product tax).

**Article 3** Collection scope and tax rate for the agriculture-forestry special product tax

a. Horticultural income: The income tax rate on apples, pears, hawthorn fruit, grapes, and peaches is 15 percent; the income tax rate on other fruits—jujubes, persimmons, apricots—is 10 percent; the income tax rate on melons of the fruit variety is 10 percent; the income tax rate on medicinal materials, flowers and plants, and nursery stock is 5 percent; and the income tax rate on walnuts, chestnuts, and Chinese prickly ash nuts is 5 percent.

b. The income tax rate on aquatic products, which include those of freshwater and marine fish farming as well as those of beach fish farming and fry, in general is 10 percent. Among them the income tax rate on marine delicacies is 15 percent, and the income tax rate on reeds and lotus roots is 5 percent.

c. Forest income: The income tax rate on logs is 8 percent; the tax rate on income derived from other products that should be taxed must not be lower than 5 percent.

d. Since 1987 the taxable income on the production of agricultural and forestry special products developed on cultivated land (excluding melons of the fruit variety) has an added 20-percent levy to the above-mentioned tax rate base.

**Article 4** With regard to the production scope on which taxes should be levied but are not listed above and with regard to agricultural and forestry special products on which taxes need to be levied, all places may report to the provincial people's government to get permission to begin to levy taxes. With regard to certain products on which large profits are made and which need a fairly high tax rate, after getting permission from the prefectural administrative office or the city people's government, the tax rate may be appropriately raised, but the highest rate may not exceed 30 percent. A surcharge of 10 percent on the regular agriculture-forestry special product tax is to be collected.

**Article 5** The agriculture-forestry special product tax is collected in line with the product's actual income. For agricultural and forestry special products produced by state-run units, the actual output for that year is calculated. For agricultural and forestry special products produced by rural economic organizations and individuals, appraisals are made by village people's committees and representatives of the masses in discussions organized by the township (town) people's government, and

the tax is set each year. The prices of agricultural and forestry special products are calculated in line with the state's local medium-grade purchase list prices for the year; if there is no state purchase list price, the price is calculated as the annual market average price for the year.

**Article 6** With regard to collection of the agriculture-forestry special product tax, in line with each prefecture's and city's production of and income from agricultural and forestry special products over the past 3 years, tasks are independently assigned each year, and the tax is calculated by localities listed by the existing financial organizations. Under the premise of insuring the completion of the original tax collection, 20 percent of the income from the agricultural and forestry special products is turned over to the provincial financial administration, and the yearend accounts are settled independently; the remaining 80 percent is given to the localities, and the local financial administration plans and arranges it as a whole, using it mainly to increase the investment in agriculture.

**Article 7** Remission of the agriculture-forestry special product tax

a. The income from all kinds of wild agricultural and forestry special products, the income from a small amount of agricultural and forestry special products on odd pieces of open land near residences, and the income of an experimental nature by agricultural science research organizations and agricultural colleges and schools from a small amount of agricultural and forestry special products are exempt from the tax. The area of an experimental zone is appraised and decided by the local financial department based on actual needs, and the income from agricultural and forestry special products outside the experimental zone is taxed according to regulations.

b. Agricultural and forestry special products on newly reclaimed barren hills, barren slopes, and barren land and on beaches and in water, beginning with the year in which income is first derived, after determination by the county people's government, are respectively exempt from the agriculture-forestry special product tax for 3 to 7 years and 1 to 3 years.

c. As for all income from products that fall within the scope of products that should be taxed, no unit or individual may, without authorization, decide on exemption, remission, or deferral of the tax.

**Article 8** As for the land calculated as land occupied for the production of agricultural and forestry special products, in accordance with the agricultural tax collected for grain fields, the agriculture-forestry special product tax should be collected on the same basis. Intercropping of grain crops and agricultural and forestry special products is advantageous for increasing the amount of grain. Income from jujube and grain intercropping, sandy land forest networks, and other agricultural and forestry special products is exempt from the agriculture-forestry special product tax. Until income is obtained from the production of agricultural and forestry special products, the original amount of the agricultural tax remains



unchanged; after income is obtained from agricultural and forestry special products, tax is collected on those varieties that bring fairly good income.

After the agricultural-forestry special product tax begins to be collected, the original agricultural tax levied is deducted, and for the agricultural tax collection task the agricultural-forestry special product tax collection task is substituted, but grain orders remain unchanged.

**Article 9** A contract comes under the land on which there is collectively owned production of special products, and in a contract the tax burden is made clear and the tax is collected in line with the provisions of the contract. If in the contract it is not made clear or if the collective contract fee is not paid to higher authorities, the contractor must pay the agricultural-forestry special product tax. Who pays the contract fee to higher authorities is decided through consultation between the two parties who signed the contract, and when the consultation fails to lead to agreement they are to apply to the contract management organization stipulated by the state for adjustment and arbitration.

**Article 10** Finance departments at all levels are responsible for collection of the agricultural-forestry special product tax. In general the township finance office is to collect the tax directly from the household, and it may also entrust collection to the product purchasing unit or the village people's committee. Governments at all levels should enhance their leadership, set up sound agricultural tax collection control organizations, transfer personnel to them, strengthen tax collection forces, and ensure completion of the tax collection task.

**Article 11** Conduct good publicity and educational work on the tax policy, enhance tax collection control, and handle taxation according to law. With regard to one who conceals reports of income from agricultural and forestry special products in order to avoid paying the tax, after this is proved through investigation, he should be punished and made to pay the tax he evaded; with regard to one who refuses to pay, in accordance with the relevant regulations a fine for late payment is to be added as well as a penalty; if the case is serious, the local judicial department is to deal with it according to law.

**Article 12** Other relevant matters of collection control are to be done in accordance with the provisions of the "Provisional Regulations of the People's Republic of China on the Control of Tax Collection." People's governments at all levels and the public security, judicial, industry and commerce, administration and control, commercial, bank, communications, railway, nationality, posts and telecommunications departments must vigorously coordinate in support of the financial organizations' collection of taxes according to law.

**Article 13** The Hebei Provincial Finance Department is responsible for interpreting this method.

**Article 14** This method took effect on 1 January 1989. Document No 32 (1989) of the Hebei Provincial People's Government and other relevant provisions that conflict with this method were annulled at the same time.

**Hubei County Issues IOU's to Farmers**  
40060695a Beijing JINGJI RIBAO in Chinese  
22 Jul 89 p 3

[Summary] From 24 May to 10 June, Zhongxiang County, Hubei Province issued IOU's worth nearly 1.5 million yuan to 2,914 rural households for hog and egg procurement. At present, IOU's are still being issued.

**Inner Mongolia Crop Area**  
40060682d Hohhot NEIMENGGU RIBAO in Chinese  
12 Jun 89 p 1

[Summary] This year the planned crop area in Inner Mongolia is 70,020,000 mu, an increase of 1,630,000 mu over 1988. The area sown to grain and soybeans is 55,664,000 mu, an increase of 1,123,000 mu over 1988; the wheat area is 15,915,000 mu, and the rice area is 940,000 mu, increases of 1,300,000 mu and 410,000 mu respectively over 1988. By the end of March, Inner Mongolia had increased the irrigated area by 164,100 mu.

**Declining Input Detrimental to Jiangsu Agriculture**  
40060462b Beijing JINRONG SHIBAO in Chinese  
28 Mar 89 p 2

[Article by staff reporter Tan Guangyun 6151 0342 0061: "Insufficient Agricultural Input Affects the Development of Jiangsu's Agricultural Production"]

[Text] The excellent situation of rural areas in the past few years has distracted people's attention from increasing agricultural input. Behind satisfying grain and cotton output and the new record of history, insufficient agricultural input has affected the continuous development of production.

The deficiency of agricultural input in Jiangsu became prominent in as early as the Sixth 5-Year Plan period. Comparing the Sixth and the Fifth 5-Year Plan periods, the absolute amount of revenue Jiangsu used as agricultural aid declined 11.4 percent; the proportion of agricultural aid in the total amount of revenue expenditure declined 8 percentage points; the absolute amount of collective funds used for agricultural input declined 6.1 percent; the absolute amount of funds used by township enterprises in economically developed areas to supplement and build agriculture through industry declined 70.7 percent; and the labor accumulation of agriculture itself declined 63 percent, equivalent to some 3 billion yuan in funds. After entering the Seventh 5-Year Plan period, this situation continued to develop.

Due to insufficient input, water conservancy facilities are deteriorating increasingly. More than half of Jiangsu's 46 large and medium-sized reservoirs are sub-standard. About a third of Jiangsu's 5,000-plus kilometers of dams cannot meet the standards of flood control and drainage. At most, 60 percent of Jiangsu's 27 large and medium-sized water gates can operate normally. The acreage of effective irrigation has also been reduced. Due to insufficient input and because more and more farm machinery has become obsolete and been transferred for industrial and transportation uses, the output of chemical fertilizer can only satisfy 74 percent of the demand, the production of pesticide and plastic films for farm use cannot meet the demand, and the unified supply of improved varieties can only cover 20 percent of farmland.

This year the Jiangsu Provincial Government and departments concerned all want to increase agricultural input, but they are not sure about the exact amount of increase. Due to Jiangsu's tight financial situation, it is very difficult to immediately resume the 1980's level of farmland irrigation investment as required by the State Council. This year Jiangsu's financial departments decided to aid agriculture with funds accumulated from retention of extra-budgetary funds and from taxes on special farm and forest products, newly increased taxes on township enterprises, taxes on farmland use, and newly increased taxes on individual industrial and commercial households. However, according to sources of related departments, these measures currently remain in the stage of talking and writing. Reportedly, the only reliable source of funds is the 1-percent retention of extra-budgetary funds stipulated in the central government policy, but it depends on when they can be collected. As for other taxes, some cannot be collected for one reason or another, some can be collected in a very small part, some cannot be levied in cities and counties because financial contracts have been distributed to cities and counties and these must protect township enterprises. Although the distributable income and the per capita net income of Jiangsu's rural areas are fairly high, Jiangsu still does not have a mechanism that could stimulate rural collectives and individual peasant households to increase agricultural input. Due to the shortage of money supply, village enterprises that are attached to large urban industries have had an increasing number of payment defaults on their goods while their loans are also controlled by others. This forces them to absorb cash funds through all means from rural collectives and individual peasants. In recent years, Jiangsu peasant income used for agricultural investment remained around 2 percent and is continuing to drop. It may be further reduced this year. The agricultural bank is the only one that has substantially increased agricultural input in recent years. Comparing the Sixth and the Fifth 5-Year Plan periods, agricultural loans more than doubled. Later, it increased another 100 million yuan. This year, because of financial retrenchment and the fairly

high increase in agricultural capital goods prices, supporting the exclusive transaction of agricultural capital goods alone has already become very difficult for the agricultural bank.

According to the analysis of departments concerned, the continuous accumulation of the deficiency problems of Jiangsu's agricultural input is caused basically by the following reasons: a tight financial situation, an overestimate of agricultural potential, the absence of agricultural input and accumulation mechanisms, and low comparative profits of agricultural production. This situation cannot be changed unless economic structure and rural policies are readjusted and perfected.

**Jiangxi Paper Mills Set Up Forest Bases**  
40060684b Nanchang JIANGXI RIBAO in Chinese  
24 Jun 89 p 1

[Report by Tan Yifei 6223 0001 7378 and Yao Ruiqin 1202 4213 2953: "A Gratifying Situation Appears in Our Province's Papermaking Industry—Base Construction Takes a New Path in Industrialization and Afforestation"]

[Text] To alleviate the crisis in raw materials for our province's papermaking industry of "cooking a meal without rice," since 1981 our province's papermaking industry has coordinated with the province's agriculture in waging a "total war of exploitation," vigorously exploiting and making use of barren hills and barren slopes and making a total investment of 15 million yuan. By the end of May this year, 460,000 mu of raw material bases for papermaking had been constructed, thereby breaking a new path in industrialization and afforestation.

The Fengxin United Paper Mill adopted a method in which "the township and village released control of the hills, the paper mill made investments, the right to the hills remained unchanged, the right to the forests were jointly held, there was joint administration, and shares were divided." It signed agreements with five townships and 60 villages around it. Since 1981 it has made a total investment of 3 million yuan and, together with the townships and villages, has built bases totaling 74,000 mu. The survival rate of the trees is over 95 percent and the young forests are coming along fine. In September of last year the Jiangxi Paper Mill concluded a contract with the forestry bureau of Jinxian County, under which it will strive within 7 years' time, with an investment of 18 million yuan, to build 200,000 mu of base forests, and it has now planted more than 2,000 mu of swamp pines. The Hushan Paper Mill in Yongxu County took 12 yuan out of the income from each ton of paper sold and put it into a special fund for building forests. Over the past several years it has invested a total of 343,000 yuan, and around the county's large lakes and ponds it has set up a demonstration base of 6,125 mu of Italian poplars. At the same time, it has invested 10,000 yuan to help the county forestry bureau's nursery cultivate seedlings that

will be provided gratis to support the peasants' building of forests. Spurred by the "demonstration ground," the county has planted more than 7,000 mu of fast-growing poplars.

### Shandong Party Secretaries on Alleviating Rural Problems

40060462a Beijing LIAOWANG [OUTLOOK]  
in Chinese No 13, 27 Mar 89 pp 12-13

[Article by Jiang Chunyun 1203 2504 0061 and Gao Changli 7559 2490 4409: "Develop Political Advantages To Alleviate Rural Economic Contradictions"]

[Text] *Editor's note: Several consecutive years of fluctuation in agricultural production has become the concern of whole society. Where is the hope for revitalizing agriculture? Jiang Chunyun, secretary of the Shandong Provincial CPC Committee, and Gao Changli, deputy governor of Shandong Province, recently wrote this article in light of Shandong's reality. They think that as long as they pay attention and learn to develop political advantages, they would be able to alleviate many rural economic contradictions and accelerate agricultural development.*

Along with the deepening of rural reform and the development of agricultural economy in recent years, cities and counties including Laiwu, Tancheng, and Changle have begun to carry out some experimental reforms in the political sphere of rural areas and achieved fairly marked results. These areas enjoy social stability and production growth and have solved many "serious and longstanding" problems.

*Developing political advantage is imperative at present for stabilizing the rural situation as a whole and accelerating economic development.* During the 10 years of reform, the rural economy of Shandong Province was full of vitality and made fastest development. Comparing 1988 with 1978, the total grain output of Shandong Province increased 41 percent, cotton increased 6.14-fold, peanuts increased 97 percent, the gross value of agricultural output increased over 1-fold, and the growth of township enterprises in particular increased 10.9-fold, which was the most outstanding. The overwhelming majority of peasants in Shandong Province have enough to eat and wear and some peasant households are becoming comfortably well off.

But the development of the national economy and the raised living standards of the people have set a higher demand for agriculture. In comparison, the new contradictions and problems of rural areas have become increasingly acute. The prices of agricultural products are too low, the means of agricultural production have long been in short supply, and their prices are rising. In 1988, the scissor differential between industrial and agricultural products widened by 1.8 percent compared to that of 1984, which has exerted definite influence on peasants' enthusiasm for production. The crop growing industry has begun to fluctuate. Since 1986, Shandong's

agricultural output value increased on the average of 2.7 percent a year, forming a sharp contrast to the 21.1 percent average annual increase rate of industrial output value. This is an important factor of causes for inflation and extremely tight economic environment. But due to the restrictions of economic conditions, there are still many difficulties in completely solving these problems. For instance, current agricultural factors already account for 60 percent of retail price increase, and the Shandong Provincial financial department uses as much as 2.5 billion yuan, about 30 percent of annual revenue income, to subsidize the prices of agricultural products. Neither social nor financial ability allows us to raise the prices of agricultural products and increase agricultural input by a large margin. The final solution to rural economic contradictions should rely on the change of system, the increase of economic strength, and the readjustment of economic relations, which take a long time to process and cannot be done overnight. But waiting is worse. If we can adopt measures not only in the economic sphere but also in the political sphere, and work along both lines, we would be able to solve economic contradictions much faster and help smooth over the difficulties and get on an easier path.

*Consolidate the political power of townships and towns and increase the ability to control the development of the commodity economy.* After solving the food and cloth problem for most peasants, the first problem Laiwu City confronted was the contradiction between small-scale rural production and large-scale markets. The purchasing and marketing problem of peasants suddenly stood out. Oversupply causes prices and grades to drop whereas shortage causes panic buying everywhere. Chances and risks often put peasants in a dilemma. Although the city has developed 149 professional and technical peasant associations and a large number of specialized service households, they have failed to come up with a fundamental solution. Peasants said: "The city cannot handle so many problems, but villagers are unable to help." This urgently needs the coordination and leadership of the township and town level. But the political body of townships and towns is incomplete. It looks that each township and town has over 20 departments and 300 to 400 cadres, but powers to control personnel, financial, and material resources are all retained by higher levels. Township governments have "high reputation, great responsibility, little power, and many difficulties in carrying out functions." "They have the desire to share the woes of peasants, but they do not have the ability to serve the peasants." As a result, many contradictions which could have been solved or alleviated worsened and caused damage. Under this condition, Laiwu City consolidated the political power of townships and towns and expanded the authority of township and town level by simplifying administrative organizations, delegating power, changing functions, and improving service. Twenty-three out of the 26 branches of city organizations at the township and town level have been placed under the management of townships and towns. This has better unified the responsibility, power,

and interests of the township and town level and provided the basic condition for coordinating leadership over the development of the commodity economy in rural areas. Over 270 systemized and multi-function service organizations and entities have been established on the basis of professional units whose authority has been delegated or extended to townships and towns. This has made service more direct, practical, and effective for peasants. After the delegation of power in 1987, in accordance with the principle of unifying animal husbandry, industry, and commerce, and coordinating production, supply, and marketing, townships and towns in Laiwu City organized such units as livestock centers, grain management centers, food centers, and agricultural banks to carry out the five-guarantee serial service that guarantees the supply of young birds and animals, technical guidance, disease prevention and control, fodder supply, financial aid, and the marketing of products. In 1987, the total animal husbandry income of the city reached 143 million yuan, a 19.7 percent increase over the previous year. In 1988, it increased by another 19 percent. The consolidation of political power at the grassroots level has stimulated functional changes in higher organizations, reduced incidents of trivial disputes between central and local units and between different units at the same level, and given an impetus to the development of all undertakings in rural areas. In spite of the serious drought in 1988, grain output still increased 2.1 percent, and the output value of township enterprises increased 55 percent. The city invested a total of 7.4 million yuan to build and repair school buildings. As a result, all middle and elementary schools in the city have met the standards set by the State Educational Commission. The city also invested more than 3.9 million yuan to improve rural medical and health conditions. Rural situation is promising. In June 1988, the provincial CPC Committee and government held an on-the-spot meeting in Laiwu to publicize Laiwu's practice throughout the province. Initial results have been achieved in this regard.

*Promoting honesty and diligence in government organizations can yield multiple results.* Since there are many contradictions and problems that need to be solved in rural areas, it is imperative that party and non-party members work together with one heart and advance in unison. Whether or not officials are honest is the key to "one heart," "unity," and "cooperation." If we succeed in this link, we will be able to get rid of the negative feelings, complaints, and discontent among the people and enable them to work together with one heart. Tancheng and Changle counties did exactly just that. They ensured honesty in government organizations, made public government affairs, and adopted the practice of mass political discussions, thereby accelerating the improvement of the work style of the party, government, and people and strengthening the relations between the party and the masses and between the government and the masses. Changle county is much different after the honesty campaign. Unhealthy tendencies such as cadres "dining, taking, asking, and

demanding" in rural areas have basically disappeared. County cadres now insist on having only one dish and one soup for their meals when they work in rural areas and refuse to drink wine and have dinner company. Some villages in Cuijia Township used to be called "five no's specialized districts" where people do not deliver grain to the state, pay tax, delivery retained profits, work as volunteers, or practice family planning. These areas have successfully solved their "serious, long-standing" problems after making public government affairs, exercising mass supervision, and ensuring honesty in government practices. In 1988, non-productive expenditure alone was reduced by over 80,000 yuan as compared to that of the previous year, tantamount to 2 years of salary for all cadres at three levels—village party branch secretaries, village presidents, and village clerks in Cuijia township. It used to take three to four months for townships and towns in Changle County to collect common funds. In 1988, it took only one month. The family planning rate of Changle County reached 98 percent, a 5.7 percent increase over 1987, and the natural growth rate of population declined from 16 to 8 percent. At the 1988 Tancheng County Political Consultation Conference, members made over 200 proposals and speeches, but none criticized the honesty of party and government organs. The prefectural CPC committee organized cadres at and above township and town level to evaluate county leading bodies, and there was not one vote of no-confidence. The masses said: "With such a county CPC committee leading us, we have great hope." In 1988, both counties made promising development in agriculture. The annual average peasant income of Tancheng County increased 95 yuan; the grain production of Changle County increased in spite of a severe drought.

*Strengthen ideological and political work to correctly educate and guide peasants.* Many current problems that have occurred in rural areas are caused by objective reasons as well as by peasants' failure to adapt to the commodity economy and by the gap in the level of their understanding. This makes it particularly important to strengthen ideological and political work to educate and guide peasants. In rural ideological and political work, Linyi prefecture paid attention to the education of peasants in current events and settled two accounts centering on the price issue which concerns peasants the most, affects their interests most directly, and is most sensitive to peasants: one is that in 1988 peasant income from selling farm products increased 42 yuan due to the price increase of such products; another is that peasant expenditure increased 23 yuan due to the price increase of manufactured goods. After balancing revenue with expenditure, average peasant income still increased 19 yuan. Since the 3d Plenary Session of the 11th CPC Central Committee, the average income of peasants in Shandong Province increased 3.5-fold whereas that of urban workers increased only 1.8-fold. In comparison, actual benefits gained by peasants are the highest. We must not get confused about the situation as a whole just because we had problems at one time or in one incident.

After telling peasants the truth, the masses said, "Now that everything is explained we understand that we all have more money on hand although the prices of chemical fertilizer, pesticide, and daily necessities have increased." Peasants have been able to get rid of many grievances. Those who refused to grow more grain and cotton have also changed their mind and expressed their willingness to increase production. This shows that enthusiasm comes not only from actual material benefits but also from spiritual reaction. We should let the masses of peasants solve ideological problems and define their behavior through personal feelings and independent thinking. Conversely, if we keep on explaining to peasants how difficult this is and that is and ask for forgiveness in a passive manner, no matter how hard we work, we would only increase the resentment of peasants and things would go contrary to our wishes. To strengthen rural ideological and political work, we should fully develop the functions of grassroots party branches and village committees. Weihai City introduced contract mechanism into rural ideological and political work, set a unified 100-point standard to be used for year-end ideological work evaluation organized by townships and towns, combined it with economic evaluation, and clearly defined the terms of rewards and punishments for village cadres. Since this placed ideological and political work in a position as important as economic work, rural cadres' involvement has become voluntary and spontaneous. Jiage township of Anqiu County has organized the masses to discuss and participate in political affairs, thereby strengthening the ties between grassroots party organizations and the masses and improving the function of leadership. Since 1988, Jiage township has widely established village-level councils of party members and villagers. All major issues and problems of village must be submitted to these two councils for deliberation. This has changed the previous practice of post supervision to advanced involvement, used the power of democracy to avoid and reduce errors in work, and accelerated material and ideological progress throughout the township. In 1988, 48 percent of villages in this township were built into cities and county-level civilized villages.

Developing political advantages to alleviate economic contradictions is not only necessary but also feasible. Those areas which did a good job show that they did not have any "miraculous cure." Their basic practices are what the central government proposed and demanded. But why is it that they did a good job but others did not do quite so well? There are mainly four reasons:

1. The key lies in the determination of leaders. The basic reason why Tancheng and Changle counties could have an honest government is because county leaders were determined to do so, started from themselves, and really attended to this matter. To solve the supply problem of chemical fertilizer, six main leading bodies of Tancheng County took the lead in refusing to approve special favors and under-the-counter deals. Zhang Chuanlin [1728 0278 2651], secretary of the county CPC committee, announced at a county-wide cadre meeting:

"Let's establish a monitor award. If anyone found out that I traded one bag of chemical fertilizer under the counter, I would lose 1 year of my salary and the monitor would win 1,000 yuan in award." In order to stop the practice of using public funds to hold banquets, leaders of this county led more than 1,500 cadres in signing a pledge which was disclosed to the public. This has yielded great results. In the last nine months of 1987, the amount of money spent by townships and towns on receptions declined 63 percent as compared to the corresponding period of the previous year. In 1988, the figure dropped further more. Now it looks like that the problem is made difficult by the fact that leaders cannot make up their minds or are not fully determined. As long as they set their minds to it, the problem will be easy to solve and there will be hope for solution.

2. We should rely on openness and institutionalization. All townships and towns and 95 percent of villages in Changle County have established mass supervision and political consultation organizations and 2,261 bulletin boards of all kinds, thus creating conditions for mass supervision and political involvement. For instance, they distributed according to requirements all scarce farm capital goods to villages all at one time and made it known to the public. Some cadres secretly took 100 kg of state-price diesel oil for illegal uses and were immediately exposed by the masses. The goods were displayed to the public in front of the township government building. It is obvious that with the public watching, it is not that easy for anyone to engage in malpractice. If anyone does get involved, he or she will be quickly exposed and taken care of. They have also carried out comprehensive supplementary reforms in democratic political construction to institutionalize and standardize systems in this regard. Changle County has widely established eight systems: open government affairs, examination and supervision, exposing and reporting, investigation and handling, consultation and dialogue, supervision by public opinions, democratic criticism, and letters from the people. The results will be better if political advantages can be developed on the basis of the guarantee of reliable systems.

3. We should strictly enforce party and government disciplines. Most party members and cadres rely mainly on education and self restraint. But a very few party members and cadres who have violated party and government disciplines must be investigated and handled severely. We must not be soft-hearted toward such people. The malpractice of dining and drinking was stopped effectively after Liaocheng Prefecture severely handled two cases in which cadres violated regulations to attend banquets given in their honor. In the past few months, the reception expenses of prefectural organs declined on the average of 53 percent a month as compared to those before the rectification, and those of counties and cities declined on the average of 66 percent. Practice shows that only by severely handling according to law a few people who have serious problems can we educate the majority of people and achieve the effect of "correct conduct under strict law."

4. Methods should be safe and reliable and emphasis should be placed on practical work and actual effects. In delegating power to townships and towns, Laiwu City adopted the principle of "being vigorous, cautious, practical, and reliable." Laiwu City always experimented in pilot units before it took a step in work. It carefully deliberated each and every measure it took to delegate

power to ensure the smooth progress of reform. Tancheng County started with issues that concern the masses the most such as the supply of chemical fertilizer, the practice of giving banquets and gifts, and illegal channels in employment and promotion. By consolidating each case it handled and closed, Tancheng County has successfully won over the trust and support of the masses.

**Missile Technology Training Simulator Developed**  
*40050578a Beijing GUANGMING RIBAO in Chinese*  
24 Jun 89 p 3

[Article by Liu Jingzhi 0491 2417 2535: "It Will Bring You Into a Missile Site—Notes on Problem-Solving for the Large-Scale Missile Training Simulator"]

[Text] Editor's note: Missile weapons are among the important armaments of modern warfare. An important task before us as we modernize our national defense is the question of how to train a contingent that both understands guided-missile knowledge and also can be proficient at missile strategic and tactical skills. Because missiles are so expensive, we cannot train frequently with actual firing practice, but because missile technology is also so complex, we must enhance our training. This is a significant contradiction as we train our modern missile personnel. The Second Artillery Engineering Academy has creatively solved this dilemma. They have developed a large-scale missile training simulator system that has been praised by relevant leading organizations.

This reporter recently arrived at the newly completed Second Artillery Engineering Academy's large-scale comprehensive technical training simulator system center building, where I was immediately attracted to the intense but methodical training site. There I saw the commander giving orders one after another, as large-screen monitors displayed the real-time situation for each student training at each subsystem:

"Adding propellant, igniting, launching, hit target, a mushroom cloud rises over the target..." Without leaving the building, I saw the entire process from preparation of the missile for firing through striking the target, and it was as if I had actually been there, as if I'd heard the sounds, and as if I'd seen the actual thing.

This has been a major high-level research achievement. It is a tremendous example of systems engineering that has involved four major branch systems, 16 subsystems, and nearly 100 key research topics.

**Generals and Professors Have Taken Infinite Pains in Drawing Up the Overall Plan**

Missiles are expensive and their technology is complex. Building them is not easy and training the personnel to use them is likewise very difficult. We cannot treat million-dollar missiles as if they were rifles and cannons, and use regular firing practice to train troops. The more expensive the weapon, the less training, and the more complex the weapon, the greater must be the intensity of training. This dilemma has perplexed the officers and professors of the Second Artillery Engineering Academy for several years.

In the fall of 1984, a bold concept began to mature within the vast minds of Fu Beichi [0265 0271 4654], academy director and professor of automation controls, and his comrade-in-arms, Professor Guo Ximing [6753 3886 6900]. They were determined to build a full-featured missile technology training simulation system to free missile-launch technology training from its predicament. Consequently, this major and complex project needed a great deal of money, and since missile models continue to develop, it would be no easy matter to develop successfully. They had no choice but to deal with this tough situation. So, at a time when the school was in economic difficulty, they gritted their teeth and quietly began their research, from which they gained valuable experience and technical reserves. They confirmed that a microcomputer card, Mark. [ma ke 3854 0344] could be used in a large system.

Continuing, Professor Guo Ximing then led six key middle-aged S&T personnel in broad-ranging research on many topics like channels for technical resources and cost-effectiveness ratios, on which they found arguments from many angles. Finally, a comprehensive plan containing four branch systems (missile launch operations simulator, missile control system dynamic simulator, data preparations and flight simulator, and training monitor center) and 16 subsystems was ready by early 1985.

Researchers worked hard to draw up this plan. To answer questions about feasibility of the missile control system dynamic simulator, Assistant Professor Deng Fanglin [6772 2455 2651] once led three graduate students in 11 straight all-night sessions on the Yinhe simulator at Changsha's National Defense College of Science and Technology until they had obtained satisfactory results.

After proposal of the plan, it was discussed throughout the institution for three months. It finally met with the approval of Fu Beichi, general, Professor, and academy director. The Second Artillery commander and headquarters also quickly approved this plan, and they provided material and moral encouragement and support. A problem-solving research group was begun.

**Achieve a New Standard by Adding New Content to Advanced Foreign Technology**

Since this was to be a simulation training system, it should allow those being trained to feel they were actually on site and be so real that it would be no different from using real equipment during the training. This would require a large amount of audio-visual technology. In most common use are three kinds: first, video sand tables for training tank drivers, which allow the tank driver to sit within the simulator just as if he were actually climbing hills and crossing streams, but these require too much room and are too dumb. Second, videotape images. Although video is very lifelike, to jump from the first image over other images to the last

would require running through the entire tape first, which would not satisfy the requirement that an image be randomly, instantaneously selected. Third, computer imaging. Although this can satisfy the demand for random selection of images, it is difficult to achieve lifelike complex images, so it, too, is unsatisfactory.

The researchers finally cast their eyes upon the newest international laser audio-visual technologies, which images are not only lifelike, but also move very quickly because of the laser, and it better satisfies the demand for random image selection in the missile launch simulation system. Tests showed that jumping from the first image on a laser disk to the final image some 54,000 frames later took only 3 seconds. The problem was how to connect this advanced laser audio-visual equipment to the training simulation system, enabling the images it projected to synchronize with the entire system program. This was a new difficulty, and there was no material at all to go on.

Assistant Professor Huang Xianxiang [7806 0341 4382] guided his own graduate student, Wang Yongming [3769 3057 2494], as they took on this responsibility. They changed a remote-control program for the laser audio-visual equipment into a computer program in order to allow for control by a computer and to implement the synchronization of the images with the simulation system program.

This was certainly not an easy matter, because it was not a simple program conversion. It required implementation of computer control of action images at different speeds, and this action was both forward and reverse, and it was also necessary to provide for rapid extraction of randomly selected images from among 54,000 frames.

They did not disappoint people. In July 1987 the system using a computer to control laser audio-visual equipment was finally completed. After this, Huang Xianxiang again directed his graduate student Wang Yongming in developing and applying voice synthesizer acoustic technology. They succeeded in synchronizing and randomly calling operational, acoustic, imaging, and instrumentation status displays. The completion of the entire simulated training system has been an important contribution.

#### **Using Voice as a Substitute for Striking Keyboards When Controlling the Intelligence of the System**

This project was developed by a young group of people under 30. Regardless of their ages, they performed as shock troops in research problem-solving. Wen Bin [2429 2430] is representative of these young people.

Development of a modern missile training simulation system cannot be done without computer networks, and commanders cannot give commands without striking keyboards. This presented difficulties, because not everyone knows how to type, and even once one knows

how to type, an order cannot be issued without typing it at the keyboard. This not only wastes time and effort, but it is easy to make mistakes. It was then that researchers came up with the idea of using voice as a substitute for typing at the keyboard, where one would only have to use a speaking tube to issue commands, which would simultaneously appear on a display.

The young lecturer Wen Bin has long had an interest in speech recognition, in 1987 having advised a graduate student in fieldwork to research designs. For this reason, Assistant Professor Wang Yuzheng [3769 3022 2398], the researcher responsible for the training monitor and control center, boldly brought Wen Bin into the project, giving this young lecturer the great responsibility for design.

Wang Yuzheng was not proven wrong, and after the young research group had accepted the responsibility in early 1988, they quickly developed the first speech-recognition system based on their original design. The system only had to recognize your voice when speaking into the tube, and then it would commit your voice characteristics to memory, after which, when your spoken words would simultaneously be displayed on the large screen.

Problems didn't stop here, because the commanders were faced not only with a speech-recognition system, but also the need to command the entire simulated training through this speech-recognition system. This required achieving communication between the speech-recognition system and the computers, that is, the building of a speech network system throughout the system, which is a difficult task.

To find a program interface between the speech-recognition system and the computers, Wen Bin cooperated closely with Lecturer Yang Guangming [2799 0342 2494], who was in charge of computers, and they worked hard continuously for more than 7 months. It was like digging a tunnel through a mountain by starting at either end, as they needed not only to be familiar with the technology and have experience, but also to have the gift of creativity. During this time they modified dozens of volumes of program codes having to do with the interface, finally connecting the speech-recognition system with the computers in December 1988. In February 1989 the optimum channel was determined.

A speech-recognition network system requiring only speech to simulate training commands from a central control room had been successfully developed.

#### **As Little Ducks Carrying a Large Flag, Students Are a Vigorous Production Brigade in Problem-Solving Research**

Participants in the problem-solving research included not only experts, professors, and lecturers, but also a large group of graduate students and undergraduates still



at their studies. They were a very vigorous research production brigade. The behavior of Lu Yihong [7627 5337 3163], only 22, reflects the situation of today's youth.

Lu Yihong told me that the computer graphics research in which he is engaged is one of the three hot fields in the contemporary computer field. It is naturally also one of the more difficult.

It is not particularly difficult to do digital emulation and simulation on a computer, but it is not so easy to transform that into lifelike graphics. What is even more difficult is how to get graphics on a screen to resemble film action.

Graphics motion in a 2-dimension space is easier to do. Rotating graphics motion in a 3-dimension space is an advanced topic in contemporary computer technology.

Getting motion in a 3-dimension space from graphics is the means by which large-scale training simulation systems do computer visual displays, for otherwise they would be lessening the real qualities of the training simulation, which would affect the training results.

Lu Yiyong said that their earliest research was done on an IBM PC, but that it failed. This was because at least 25 frames must be seen each second in order to enable people to perceive a feeling of continuity, but the IBM PC is too slow for that, needing 4 seconds for one frame of a geometric image in 3-dimensional space, which is too great a gap from what is needed.

Just as they were running out of hope, the IPSA-1B computer, jointly developed by the Second Artillery Engineering Academy and the Xibei Industrial College, made its appearance; the speed of this computer is some 1,000 times greater than that of the IBM PC. Faced with an impasse, Lu Yihong, and the others .., once again

revived. Even though there was no operating system for the computer at that time, they unhesitatingly committed themselves to this newborn computer, working boldly on it through the nights. Beginning in March 1988, they wrote more than 10,000 lines of assembly language code, and one can only imagine their hardship.

But they succeeded! They were able to realize 3-dimensional geometric images on this computer in only 2 or 3 milliseconds, and when to that is added about 30 milliseconds for displaying the image on a screen, they completely satisfied the demand of human perception.

The little ducks had truly raised up a large flag, and the problem-solving reality of Lu Yihong, and the others., deeply moved this reporter. Our youth of today are likable, and they have an even stronger sense of creativity in research than the older generation. China's future hopes will lie, perhaps, with them.

An unprecedented large-scale comprehensive missile technology training simulation system has been born. Its function in China's national defense modernization is obvious. Because of this large system project that has involved nearly 100 research topics, the many technical achievements that were born along with it are inspiring. Many projects also have obvious value for market development. For example, the "small multifunction parallel emulation computer" developed jointly by this institute and the Xibei Industrial College has been recognized by experts as a new S&T product "having an advanced international level of the 1980's," and it has been recommended for a national prize for S&T advances and has attracted the interest of many users both within China and outside.

The academy is currently marshalling its forces in preparation for secondary development as commercial products the many new achievements in high level science and technology. This will allow them to enter the technology marketplace, contribute to society, and to realize their true value in economic competition.

### CENTRAL-SOUTH REGION

**Guangdong Executes 18, Imprisons 66 Criminals**  
*HK0908143389 Guangzhou Guangdong Provincial  
Service in Mandarin 0400 GMT 9 Aug 89*

[Text] This morning the Yuexiu, Liwan, Haizhu, Fangcun, Dongshan, Tianhe, and Huangpu district courts in Guangzhou City and the Huaxian and Zengcheng county courts separately held mass rallies to pronounce judgments and to pass sentence on culprits. Eighteen capital criminal offenders were sentenced to death, and 66 culprits received the first-time judgments.

Of the 18 executed culprits, 9 were robbers. Pretending to be searching for illegal gold sellers, (?Liang Mingyuan), a robber coming from Macao, armed with pistols and handcuffs, committed a robbery in May 1987 in collaboration with (?Pan Dexing), a former cadre of the reeducation-through-labor section of the Guangzhou city judicial bureau, and other criminals. Making use of his status as a public security officer and pretending to be searching for smugglers, robber (?Chen Yingqi) committed a robbery in collaboration with squadron leader (?Yang Kunmao), squad leader (?Lin Chen), and other members of a certain armed police unit. In view of the gravity of his case, Chen Yingqi was sentenced to death according to the law and was executed immediately after pronouncement of sentence.

**Authorities Accused of 'Double Standard' in Handling Dissidents**

40050572a Taipei TZULI WANPAO in Chinese  
14 Jun 89 p 5

[Article by Chang Meng-An 1728 1322 1344: "Why Dissidents Abroad Are Not Permitted To Return to Taiwan; FAHR States Authorities Hold Double Standard, Actions Taken Only for Own Political Benefit"]

[Text] The government recently announced that it will continue to prohibit dissidents abroad from returning to Taiwan, but on the other hand they have decided to make it easier for students and scholars abroad who oppose the Chinese Communists to enter Taiwan. These two completely different courses of action have caused great concern everywhere.

Premier Li Huan reiterated yesterday in the Legislative Yuan that there are no political prisoners in Taiwan, only criminal offenders. In fact, many of the people who were prosecuted in the past were all dealt with according to laws still current. There are no so-called political prisoners, we only have criminal offenders. As for prohibiting dissidents abroad from returning to Taiwan, this is done for the sake of national security, social stability, and the people's welfare. The government has the right to refuse entry to a small group of people, and there are precedents in several countries.

The government has recently granted permission for notable personalities from the mainland to visit Taiwan, granted entry to the famous mainland dissident Fang Lizhi, and, in light of the Tiananmen incident, the Ministry of Foreign Affairs yesterday even ironed out a plan to liberalize the issuance of Republic of China [ROC] passports to students and scholars abroad who have participated in the mainland's democracy movement or rejected the Chinese Communist regime. Is it proper to discriminate this way between one type of dissident and another? The director of the Formosan Association for Human Rights [FAHR], Ch'en Chu [7115 5468], expressed her views during an interview with reporters.

Question: Do you feel that Li Huan's response in the Legislative Yuan was in line with the facts?

[Ch'en]: Does Taiwan have any political prisoners? That's not something for any ruler to determine, and saying there aren't any doesn't make it so. Basically, the standards for human rights should be the same the world over. Taiwan cannot make itself an exception, and prohibit dissidents abroad from returning home on the pretext of national security. Article 13, Section 2 of the Universal Declaration of Human Rights clearly states that every person has the right to leave any country, including his or her own, and every person also has the right to return to his or her own country.

I feel that people have the fundamental right to return to their own country. If the rulers have no explanation capable of convincing people of the necessity of restricting this right, then legislatively and administratively, they should not use legal or administrative retribution to strip people of their right to return home.

As for the question of whether or not Taiwan has any political prisoners, this should be evaluated by human rights organizations that have a high degree of credibility. In the past, such human rights organizations as Amnesty International and Asia Watch have issued reports that affirmed that they had confirmed Shih Ming-Teh, Ts'ai Yu-Ch'an, and Hs Ts'ao-Teh as prisoners of conscience (i.e., political prisoners). Therefore, to say that Taiwan has no political prisoners is in fact nothing but so many words from the rulers!

Question: The government has prohibited Taiwanese dissidents abroad from returning to Taiwan while planning to allow students and scholars abroad who oppose the Chinese Communists to come to Taiwan. Is this situation appropriate?

[Ch'en]: These actions on the part of the rulers constitute a double standard. They are discriminatory and serve only the political needs of the rulers. A simple issue of human rights has been turned into a political issue, and it is extremely difficult for me to accept this.

Basically, I can understand that the authorities would express support for the democracy activists from the mainland who are struggling against the violent suppression of the Chinese Communists, but the authorities didn't adopt an equally broad-minded attitude regarding Taiwanese dissidents in exile. That the authorities did not accept these dissidents back into the fold is worth discussing. What is more, the mainland democracy activists do not necessarily all oppose communism.

**Table 1. Developments Involving the Blacklist**  
**Author of Table: Ch'en Ts'ui-Lien [7115 5050 5571]**

Time		Development Involving Blacklist
August 1988	Statistics from the Democratic Progressive Party's [DPP] Coordination Group for the World Federation of Taiwanese Associations [WFTA] Conference	At least 94 persons were denied visas to return to Taiwan by overseas offices of the ROC. These include: United Formosans for Independence [UFI]: Chang Ts'an-Hung [1728 3503 3163], Ts'ai T'ung-Jung [5591 0681 2837], Shih Ming [0670 2494], Li Hsien-Jung [2621 2009 2837], and Hsu Shih-K'ai [6079 0013 2818]. Overseas Network: Hsu Hsin-Liang [6079 0207 5328], Hsieh Ts'ung-Min [6200 5115 2404], Chung Chin-Chiang [6988 6855 3068], and Chiang Shao-Yi [3068 2507 0308].
August 1988	WFTA Conference Convenes	Two blacklisted persons, Chang Ting-Lan [1728 0002 5695] and Ch'en Ts'ui-Yi [7115 5050 3768], succeed in entering Taiwan.
April 1989	Ministry of Interior, Bureau of Entry and Exit's Negotiated Special Cases	Thirteen dissidents abroad granted entrance, including Chung Chin-Chiang [6988 6855 3068] (FAPA [expansion unknown], Central Committee member, Overseas Organization, Director of Foreign Affairs) Lin Tsung-Kuang [2651 1350 0342], (professor, U.S. citizen) Hsu Fu-Tung 1776 [4395 2767], (FAPA Vice President) Ch'en Hsien-Chih [7115 2009 1807], (Board member, Southern California FAHR) Hsu Jui-Feng [6079 3843 1496], (former Director, UFI Human Rights Department) Chao Yu-Yen [6392 2589 3293], (pastor, visiting Germany) Wang Ch'eng-Chang [3769 2052 4545], (pastor, visiting the United States) Hsieh Ch'ing-Chih [6200 3237 1807], (member, Overseas Organization Executive Committee) Lai Wen-Hsiung [6351 2429 7160], (one of the founders of UFI) Liu Ts'ung-Teh [0491 5115 1795], (former member, UFI) Lin Hsiao-Hsin [2651 1321 0207], (Director, Formosan Democracy Movement Support Association) Hsieh Ts'ung-Min [6200 5115 2404], (Vice President, FAPA)
May 1989	DPP Headquarters	Drafted plans to nominate overseas dissidents Yang Chia-Yu [2799 0502 3731] and Li Tsung-Fan [2621 1350 5672] to return to Taiwan and run for mayor or County Administrator. Yang and Li returned to Taiwan.
May 1989		Ch'en Wan-Chen [7115 1238 4176] appears among participants in 19 May memorial for Cheng Nan-Jung; another blacklisted person, Ch'en Nan-T'ian [7115 0589 1131], is also reported to have entered Taiwan.
May 1989		Reports circulate concerning discussions within KMT regarding possibility of allowing Hs Hsin-Liang [6079 0207 5328] and P'eng Ming-Min [1756 2494 2404] to return to Taiwan.

Table 2. Current Status of Political Prisoners  
Author of Table: Ch'en Ts'ui-Lien

April 1988	Thirty-one prisoners convicted of subversion gain reduction of sentence, release from prison, including: Pai Ya-Ts'an [4101 7161 3503], Tai Hua-Kuang [2071 5478 0342], Chang Hua-Min [1728 0553 3046], Kuo Ye-Wen [6753 6390 2429], Yi Teng-Fa [0151 4098 4099], Yang Chin-Hai [2799 6855 3189], et al. Not granted reduction of sentence were Hsiao Fo-Kung [5618 0154 1872] and Ch'iu Ching-Yen [8002 2529 0337], because they had joined the communist party. Wang Hsing-Nan [3769 1630 3948] and Shih Ming-Teh [2457 2494 1795] were not granted reduced sentences because they had either used violence or had repeated their crimes.
August 1988	Case involving advocacy of Taiwan independence by Ts'ai Yu-Ch'an [5591 2589 0356] and Hsu Ts'ao-Teh [6079 2580 1750]; Ts'ai Yu-Ch'an sentenced to 11 years in prison, granted reduction of sentence to 7 years, 4 months; Hsu Ts'ao-Teh sentenced to 7 years in prison, granted reduction of sentence to 4 years, 8 months. Both men forfeited political rights for 5 years.
January 1988	Taiwanese businessman Liu Yi-Chia [0491 5030 0502] charged with subversion and abetting the communists, found not guilty; prosecutors presently appealing decision.
January 1988	Mainland businessman from Tientsin, Ch'en Chen [7115 6966], entered Taiwan on false passport, engaged in indirect trade; charged with subversion, found not guilty; sentenced to 1 year in prison for manufacturing falsified documents; prosecutors appealing decision.
February 1988	Mainland Chinese, Huang Chian-Feng [7806 0494 1496], sentenced to 12 years for subversion; Supreme Court changed sentence to 12 years, granted reduction of sentence to 6 years, 8 months.
November 1988	Mainland Chinese from Shantung, Tung Li [5516 4539], sentenced to 6 years in prison for having joined the Chinese Communists' Young Pioneers; granted reduction of sentence to 4 years.
August 1988	Ts'ai Ko-T'ang [5591 2706 1016], for listening to Chinese Communist radio broadcasts, was charged with repeatedly spreading communist propaganda, sentenced to 3 years, 6 months in prison, granted reduction of sentence to 2 years, 4 months.
November 1988	Chuang Kuo-Ming [8369 0948 6900] and Huang Kuang-Hsiung [7806 0342 7160] charged with subversion for participation in the overseas organization UFI; sentenced respectively to 10 and 5 years in prison, granted reductions of sentence respectively to 6 six years, 8 months, and 3 years, 4 months.
July 1988	Mainland Chinese, Liu Kuang-Sheng [0491 1639 5116], suspected of subversive activities on basis of tip from informant; found guilty by court of participation in subversive organizations, sentenced to 10 years in prison.
October 1989 [as published]	Ch'en Wei-Tu [7115 4850 6757] and Ch'en Ssu-Yi [7115 1835 5030] published magazine that carried reports of a coup; sentenced to 8 years in prison.

**Student Criticizes Response to Tiananmen Incident**  
40050573c Taipei TZULI WANPAO in Chinese 13 Jun 89 p 14

[Article by Chiu Yu-bin 6726 3022 2430, third-year sociology student at Chungshing University, chairman of Taiwan Research Society: "I Do Not Wish To Take Part in the Activities To Show Support"]

[Text] I care very much about the Tiananmen incident, but that is all. I care: just like I care about Poland's Solidarity and Korea's student movement. The activities in all circles to voice their fervent support make me feel that, instead of rethinking and reexamining our own situation in Taiwan, rushing to voice support for the

mainland's student movement is shallow and impractical. Thus, I do not wish to take part in these activities to show support.

Everyday on campus, we see students on a signature drive. They give blood to help the mainland students. It brings one back to the days of the Diaoyuta Incident and the breaking off of Chinese-U.S. relations. Then, too, the air was full of national emotion. Some people donate money and others donate blood to satisfy their own sense of morality. This is not to say who is right and who is wrong. These are but the reactions of a KMT intimidated by the communists and the reaction of children intimidated by the KMT. But I resent their impulse to turn the schools or the whole society into a place of mourning.

On TV, we watch high school students cry their hearts out over the Tiananmen incident; they kneel on the ground and refuse to get up. They do not hesitate to roll up their sleeves to give blood. But over the winter and summer holidays each year, there is always an acute shortage of blood here in Taiwan. Does it mean that Taiwan people's lives are less worthy? Thousands and tens of thousands are giving generously. Are there no needy people and causes in Taiwan? Probably this is something not even the mainland students can figure out. Really, to their dying day, they will never be able to figure it out.

#### **Biodata on Huang Ehr-hsuan, Minjin Party Hopeful**

*40050573a Taipei TZULI WANPAO in Chinese  
18 Jun 89 p 2*

[Article by reporter Wu Tian-jung 0702 0368 5554:  
"Wang Ehr-hsuan 3769 3643 3872—'Don Quixote'  
Challenging Chu Kao-cheng 4281 7559 2973"]

[Text] Wang Ehr-hsuan, whose entrance into the Democratic Progressive Party in Yunlin County Legislative Committee primary election on 9 June has enraged Chu Kao-cheng, is no stranger to the opposition movement. But the winding path that took him from his dedication to the pursuit of academic neutrality as a professor to his involvement in the opposition movement as a candidate still makes him somewhat of an enigma.

Chiang Peng-chien [3068 7720 1017], first to be elected chairman of the DPP, worked closely with Wang Ehr-hsuan. He described Wang as "cold on the outside but warm inside," that is, he is so cautious that he appears indifferent, but in his heart he is full of warmth. This perhaps explains how Wang Ehr-hsuan can maintain academic neutrality as a professor and still be active in the democratic movement.

Wang Ehr-hsuan loves Greek mythology and he has sort of revealed to others whom he most identifies with. Greek mythology has it that Prometheus saw that the world had no fire; it was a dark and cold place, so he borrowed fire from heaven and gave light to the world.

For this, Prometheus was punished by the gods. This desire to "borrow fire from heaven" instilled three wishes in Wang Ehr-hsuan: one, to play the role of a conscientious scholar and set up an organization to protect professors' right to work and academic freedom; two, to work with those in the opposition movement to build an opposition party in Taiwan. So far, these first two wishes have come true. He seldom mentions his third wish, but looking at his recent dedication to the new constitution movement, we should have some idea.

Wang Ehr-hsuan joined the faculty of the Political Science Department of Soochow University in 1978. At that time, nonparty members were just beginning to gain political power, and society was beginning to clamor for reform. That was outside of the campuses. Inside, everything was quiet. Some professors and students, though, were feeling the cold, dark pressure. Wang Ehr-hsuan was one of them. Recalling those days, Wang admits that he did feel like Prometheus; he wanted to bring light to the students.

It is not Wang Ehr-hsuan's style to appeal loudly to the public and to criticize others. He often relies on theory to analyze Taiwan's political situation. For example, he analyzed the martial law, the authoritarian system, the democratic system, and other political systems. In this way, he wants students to understand the truth about Taiwan. Students he once taught recall that, in class, Wang Ehr-hsuan never overstepped his role as professor. He would discuss and analyze, but never reveal his personal political belief. In private, however, he was very candid in his conversation with his students.

In his analyses of the situation, he exposed the many defects of the existing system, and because of his friendship with many nonparty people, Wang Ehr-hsuan became a sensitive figure in the eyes of the authorities. In June 1983, he was dismissed from Soochow University. A year before his dismissal, he had been under attack by the extreme-rightist Chifeng Group and had been getting anonymous hate mail. Some students were under orders to report on him to the authorities. One student felt so guilty that he took the "Report on the Teacher's Words and Deeds" to Wang Ehr-hsuan and apologized. This kind of intense struggle was rare on campus in those days.

After he left the university, Wang Ehr-hsuan did not get involved with politics right away. He took advantage of his friendship with nonparty people and observed from the sideline. During 1984 and 1985, he made several trips to Japan to gather information on political parties, and it was then that he began to think that Taiwan should have an opposition party. Wang Ehr-hsuan indeed played a critical role in the organization of the DPP in 1986.

Wang Ehr-hsuan studied education, administration, sociology, political science, and other subjects in school. Upon graduating from Taichung Normal School, he

taught elementary school. Later, he entered the graduate school of education of Normal University's Social Education Department and later transferred to National Chengchih University's graduate school of administration, and there he received his PhD. During that period, he also passed the Higher Education Administration Examination and the Social Administration Examination. He later received a provincial scholarship from the Japanese Department and did research at Tokyo University for 3 years. The first year, he studied Sociology, and from the second year on he attended the Graduate School of Law and Political Science.

Armed with all this professional training, and because he can devote himself to the cause, Wang played an important part in drawing up the DPP's constitution and platform, and in the process he clearly demonstrated his cautious character.

The DPP wanted to call the first national plenary session of party delegates in 1986. At that time, the atmosphere was tense in the country, and the party leaders did not want the intelligence people to know when and where the meeting was to be held, so the entire process was carefully planned: 18 members of the party's founding group were sent to localities throughout Taiwan to supervise the election of party delegates and hand out instructions to the delegates and let them know the time and place of the meeting. The DPP used the name Tanchiang Alumni Association to borrow three sites, and three party delegate plenary sessions were held on the same day in Huanya, Haipawang, and Yuannong. Wang Ehr-hsuan was the strategist behind it all.

At that time, because of the atmosphere, it was indeed necessary for Wang Ehr-hsuan to be cautious. But even after society opened up, as secretary general and spokesman for the DPP, Wang Ehr-hsuan was still very careful. At one time, many in media circles criticized his conservative attitude. Because he was often reluctant to speak up, he was a headache for those in media circles.

But if we put it in perspective, Wang Ehr-hsuan's cautious attitude is understandable. He often compares the DPP to a newborn baby, and this newborn baby is susceptible to fatal attacks from the outside. His love for the party overflows, and it is because of this that many find him too conservative, too restrained.

It was this feeling that prompted some to say that, during the intense competition for the seat of chairman of the DPP at its third plenary session last year, the most bitter was not Yao Chia-wen [1202 0857] or Lin Cheng-chieh [2651 2973 2638] who were caught in the eddy, it was Wang Ehr-hsuan who could not accept it. He refused to talk about it then, but he was beginning to consider the DPP seriously.

At that time, Wang Ehr-hsuan felt that DPP members who hold public office and those who work in the party are out of touch with one another, and he hoped to bring

the two groups together in his capacity as public official. He also wanted to establish the concept of nonprivatization of public office. He felt that public officials should serve the movement and that there should be a proper succession system whereby the baton could be handed to the successor at the proper time. Ever since, Wang Ehr-hsuan has harbored thoughts of running for public office.

Of course, besides the system, ideology is also a factor in Wang Ehr-hsuan's candidacy. After he quit his post as secretary general of the DPP, he immediately joined the new national constitution movement. Reportedly, the funeral committee for Cheng Nan-jong [6774 0589 2827] that barged into the office of the president on 17 May was staged by Wang.

Wang Ehr-hsuan is determined to take part in the Yunlin County Legislative Committee election. Before engaging in battle with the KMT candidates, he must first do battle with DPP legislative committee member Chu Kao-cheng in the primary. Some describe Wang Ehr-hsuan and his campaign supporters as "Don Quixote." They are facing a formidable battle the outcome of which is unknown. But Wang Ehr-hsuan himself considers this campaign an "observation through participation." He hopes to understand better and serve the ideology of the movement through participation.

**CUL's Declaration on Tiananmen 'Tragedy'**  
*40050573b Taipei TZULI WANPAO in Chinese*  
8 Jun 89 p 7

[Article by Chen Ying-chen 7115 2503 4176, Chairman of the China Unification League: "Declaration on the 4 June Tiananmen Tragic Incident"]

[Text] The June 4 Tiananmen tragic incident on the mainland, which ended in 3,000 dead and tens of thousands injured, has seriously undermined and jeopardized the communication and unity established between the people of the two shores since 1979. As a result, in recent weeks, the arduous efforts of those in the CPC government who seek peaceful solution to the people's internal conflict are seriously jeopardized; failure is imminent. The incident has delighted many inside and outside of government who have long tried every way to obstruct and oppose the gradual unification of the Chinese nationality under peaceful and democratic conditions. The China Unification League [CUL] expresses its deepest regrets and greatest sorrow. We condemn the CPC authorities' action, which led to the massacre of mainland students and citizens.

The China Unification League has always maintained that political democratic movement is an inseparable part of the national unification movement in China. At this time when national unity and peaceful development are seriously jeopardized by the 4 June Tiananmen

incident, we want to submit to the Chinese people at home and abroad the following urgent appeal, hoping to heal the wounds and stop the pain:

1. We urge immediately convening an emergency session of the Standing Committee of the National People's Congress and urge the committee to invite representatives of Beijing's students, citizens, and workers to appear before them to testify and answer questions. We urge that preparations be made to organize a new government and that effective and just means be used to bring an end to the situation.

2. We urge an immediate end to the confrontation between the soldiers and the students, citizens, and workers. We ask the authorities to lift martial law as soon as possible and to rescue and extend medical care to students and workers wounded in the incident.

3. We call for an immediate effort to convene a group of people, including nonparty, fair, professional people at home and abroad, to conduct an objective and fair investigation of the 4 June Tiananmen incident, set a date to make public the facts, and, in accordance with the results of the investigation, punish those responsible at all levels publicly, fairly, and with justice.

4. We urge that immediate action be taken to comfort and compensate generously the families and to make funeral arrangements for the students and citizens who died in the tragic incident. Medical care and compensation should be extended to the wounded and the maimed. The government should reach an impartial political conclusion of the 4 June tragedy and guarantee that political revenge will not be taken on the students and masses involved in the incident.

At a time when national unity is in crisis, the China Unification League wants to turn sorrow into strength and share this national tragedy and grief with the people. The 4 June Tiananmen tragedy only makes us realize more deeply that democratization and liberalization of the Chinese government and society are necessary conditions for national unity and reunification. Henceforth, the China Unification League will endure humiliation and carry out its mission. We will keep firmly to the stand of the Chinese people on both shores, not the stand of any political faction, party, or power. Along with the people, we will work even harder for the sake of our peaceful and democratic national unity.

[Dated] 5 June 1989

### Outlook for Unification After 'Tiananmen Bloodbath'

40050572c Hong Kong MING PAO in Chinese  
10 Jun 89 p 6

["Taiwanese Legislator Fei Hsi-P'ing 6316 1585 1627 Returns From Mainland, Airs Views; If Chinese Communist Hardliners Take Control, Prospects for Unification Become More Remote"]

[Text] The "party-less" legislator, Fei Hsi-P'ing [6316 1585 1627], who recently traveled to the mainland in his capacity as a national legislator despite the Taiwan Government's prohibition, yesterday stated that "if the Chinese Communist hardliners take control, the chances for unification between Taiwan and the mainland will become even more remote!"

Fei Hsi-P'ing returned to his hometown last month to visit relatives, and returned to Taiwan two nights ago on a flight from Hong Kong. He returned to the floor of the Legislative Yuan yesterday. Fei Hsi-P'ing, who strongly advocates the unification of Taiwan and the mainland, felt extremely pessimistic about the future of the mainland after the experience of the Tiananmen bloodbath. Fei Hsi-P'ing stated that he traveled to all the major cities in the mainland from north to south, and feels that mainland students are very determined in their quest for democracy. As for the Chinese Communists' violent suppression of the student democracy movement, he had only one short phrase: "savage beyond words."

Fei Hsi-P'ing said that the Chinese Communists' use of troops to suppress the students in front of the Gate of Heavenly Peace has made him deeply pessimistic about the future of the mainland. If the hardliner faction of Li Peng and Yang Shangkun takes control, the chances for unification between Taiwan and the mainland will become even more remote. If the reform faction of Zhao Ziyang takes control, there might be hope for unification.

When asked his opinion of the effectiveness of Taiwan's support for the mainland democracy movement, Fei Hsi-P'ing said that, in comparison with Hong Kong, Taiwan has not been active enough. After the Tiananmen incident, all the Hong Kong newspapers devoted a large amount of space to its reportage. The people of Hong Kong were very upset, and sought to help the student movement on the mainland in every way possible. In Taiwan, however, little was done from the very start. If possible, Taiwan should support the reform faction within the Chinese Communist Party, and even take advantage of this opportunity and attack the mainland.