

JPRS-CAR-89-093  
31 AUGUST 1989



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# ***JPRS Report***

# **China**

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SPRINGFIELD, VA. 22161

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## GENERAL

### Economics Regarded as Determinant in Trend Toward Detente

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[Editorial Report] Issue 10, 1989 of the Chinese-language Shanghai journal GUOJI ZHANWANG (WORLD OUTLOOK), sponsored by the Shanghai Institute of International Studies, carried an article arguing that economic factors are the most important reason why nations embroiled in the world's "hot spots" are increasingly opting for detente in the resolution of their conflicts.

According to the author, Wu Guifu [2976 2710 7450], the unprecedented trend we are witnessing of stressing diplomatic as opposed to military means to solve the world's disputes is, admittedly, connected to the policies adopted by individual states. He also claims, however, that the fundamental reason for detente is that it is the natural outcome of developments in the international situation over the past 40-some years and is the "objective requirement of historical development."

Looking at the various reasons behind detente, Wu says that a political reason is that the international trend of development from a pattern of bipolarity to one of multipolarity has led to the rapidly growing pressure for peace in the world. Looking at the military perspective, he says that detente shows that the world has learned its lessons from the many armed conflicts it has engaged in since the end of World War II. Wu stresses that, in addition to these factors, economic factors are solidly behind the impetus for and the development of detente around the world. He identifies three ways in which economic factors have contributed to the lowering of tensions in the world's hot spots.

1. The economic burden of fighting wars causes a country to fall farther and farther behind in its economic development. The author notes that those countries that have embroiled themselves in the world's hot spots have only caused their domestic economies to fall into ruin and to slip farther and farther behind the world trend of economic development. On the other hand, those countries that have not engaged in war and have been able to concentrate their energies and resources on developing their economies, science and technology, and education have all enjoyed marked economic growth; a few have even realized an enormous increase in national strength. This cold fact, says Wu, has led more and more countries that are fighting in hot spots to realize that continued fighting will not only cause them to fall behind the rest of the world, but will also lead to difficulty in solving the dispute, a hopeless national future, and misfortune for one's people. Wu says that this realization is why we see a turning toward political methods and solutions.

2. The economic burden of supporting their allies and aiding the countries they want to influence and concern about their own future ability to meet strategic and

economic challenges are twin factors, says Wu, that have caused the United States and the Soviet Union to change their foreign policies toward the world's hot spots and to shift the focus of their rivalry from a single concern, the arms race, to a comprehensive one, that is, the overall development of total national strength measured in terms of scientific, technological, economic, and military criteria. The author notes that the Soviet Union is worried about a potential loss of strategic initiative in the 21st century while the United States needs to reduce its budget deficit and is concerned about meeting the ever-growing economic competition and challenge posed by Japan. To address these problems, he says, both countries need to reduce the size of their overseas troops and the number of their overseas bases, their involvement in hot spots, and their responsibilities for the security of their allies. Wu notes that the United States and, in particular, the Soviet Union have reduced their military aid to and involvement in the hot spots and have encouraged or pushed the parties in conflict to adopt political methods and seek political solutions to settle their differences. Thus, the reduction of tension in the world's hot spots, says Wu, can be indirectly attributed to economic factors.

3. Economics is the factor determining the extent to which a country is able to wage a war and, in fact, determines whether the outcome of a conflict will be war or peace. The author points out that a country's economy is the material base upon which war is fought and therefore determines the characteristics of limited warfare in the modern era, such as its scale, intensity, a country's ability to obtain its targets, whether a country is on the offensive or defensive, and how long a country can fight. Wu notes that foreign military strategists have begun to adopt the view that "modern war is economic war" because of the increasing level of consumption and high-tech sophistication required. Wu says that the limited wars conducted in the decades of the seventies and eighties are ample evidence that economics is also the primary determinant as to whether war will change into peace. After citing statistics that show the trend of rapid increase in per unit cost of conducting warfare in World War I, World War II, the Korean war, the fourth Middle East war (October 1973), and the limited wars engaged in during the 1970's and the early part of the 1980's, Wu says these statistics show that the demands on a nation's economy of conducting modern limited warfare are ever escalating and that economics determines the upper limits of consumption in terms of manpower, materiel, and finances. He holds up the fourth Middle East war as compelling evidence of this argument. The author also points out that the targeting and destruction of economic assets is a characteristic of modern warfare and one that exacts an enormous price and forces warring countries to resort to peace. He cites the example of mutual targeting by Iran and Iraq of each other's oil production facilities during their 8-year war and points out that the resulting enormous loss of oil revenues was the primary reason both sides agreed to a truce. Because economics is the limiting factor in modern warfare, says Wu, countries

cannot effectively wage a protracted modern war, nor even a war of medium technological sophistication. The result will be either a truce or an outright abandonment of war.

## SOVIET UNION

### Strategic Change Seen in Soviet Foreign Policy

40050566 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 9, 8 May 89 p 19

[Article by Zhang Jinrui 1728 6855 3843: "Soviet Foreign Policy Starting To Change Strategically"]

[Text] Since the reign of Stalin, the foreign policy of the Soviet Union has gradually taken on a hegemonistic character. In 1979, when Brezhnev was in power and the military occupation of Afghanistan was the aim of the Soviet Union, the country's hegemonism already showed clear adventurism and frenzy.

The USSR's hegemony has had serious, harmful consequences for the cause of socialism and efforts for peace: It discredited the reputation of socialism, disrupted the unity of communism, and instigated a series of wars and confrontations—affecting the peace efforts and development activities of all mankind.

However, the hegemonism of the Soviet Union and of the United States are utterly different. The former is a policy error that could be corrected under certain conditions, while the latter is the outcome of a system which cannot be fundamentally corrected. The background to hegemonism in the Soviet Union is very complicated. Although there are many reasons for it, it stems mainly from two sources: The first is the corruption of the international communist movement, which is to say that the Soviet Union has firmly upheld a long-term position of leadership in the communist movement, emphasizing that Soviet interests come before all else, while forcing the exportation of revolution in its foreign policy. The second is the cultural influence of "great Russianism," which is to say the brazen denial of the correct judgment of Marx and Engels regarding the expansion of tsarist Russian encroachment on the part of Stalin and other Soviet leaders. They whitewash tsarist Russian bigwigs, carrying on tsarist Russia's traditional ideology and strategic policy of dominating the world. In line with changes in the understanding of the aforementioned issues, there may also be changes in Soviet hegemonism. Since coming to power, Soviet Communist Party General Secretary Gorbachev has undertaken an historical and overall reassessment regarding the Soviet Union's foreign policy. On the basis of this reassessment, he has proposed new thinking about foreign policy, the core of which is "human values before all." Concerning the issue of capitalism, the new thinking on foreign policy dispenses with the traditional "decadent thesis," contending that capitalism is still a life force that can "create economic effects," and that socialist countries cannot take the overthrow of capitalism as the goal for their own

foreign policy. With regard to the question of socialism, the new thinking dispenses with "the issue of flawlessness," holding that the Soviet Union and other socialist countries experience barriers in development. They cannot sing the praises that socialism is entirely flawless and without faults; revolution must be undertaken continuously. Regarding the matter of socialist countries, it dispenses with the notion of a "pattern," recognizing that each socialist country has its own actual situation and national interests. One must both give heed to unity and cooperation while also recognizing diversity and special circumstances. One must also seek unity in diversity and peaceful coexistence. Concerning Third World countries, the new thinking dispenses with "detours," believing that the vast majority of Third World countries are already on the capitalist development track. To hope that Third World countries can "detour capitalism" is bound to fail. Socialist countries cannot export revolution to the Third World. On the issue of two kinds of social systems, the new thinking dispenses with "confrontation," acknowledging that the contemporary world is full of confrontations and contradictions; and that interrelation and mutual coexistence, and life and death are interrelated, all mankind is in the same boat of helping one another. Regarding the question of war and peace, it dispenses with the notion of the "inevitability of war," contending that world war can be avoided in the guided missile and nuclear age. War and revolution do not exist in a cause and effect relationship. Peaceful coexistence is no longer a special form of class struggle. The interests of mankind are above class interests. Only political measures can be used to resolve international confrontations and national security issues. Arms races and contending for military superiority are unsuited to the times. Peaceful coexistence and peaceful struggle are decisive trends in the modern age.

The guidance of the Soviet Union's new foreign policy thinking has been a positive force in bringing about a resolution to a series of issues including arms control and regional questions. It proved decisive in signing an agreement with the United States to destroy medium range [nuclear weapons] and in withdrawing from Afghanistan. At the same time, the thinking has had a positive influence on the Soviet Union with regard to its behind-the-scenes striving to cool down the "hot spots" of southern Africa, Kampuchea, the war between Iran and Iraq, and the Middle East. Concerning military affairs, the Soviet Union has already begun to turn its military attack strategy into one of defense. Soviet military policy has publically declared: "We will not allow the use of military measures to resolve any controversial issues. We commit ourselves to not to be the first to use nuclear weapons at any time. We will not be the first to use military force in any situation. We will not adopt an antagonistic attitude toward any country." And it has "already realized the evolution of turning the emphasis on guaranteeing security from a military measure to a political one," and "coordination between political affairs and military technology." Regarding troops and equipment, the Soviet army has stipulated "rational

levels and nonattack defensive targets." Beginning in 1986, the Soviet Union began to reduce progressively annual military expenditures. Beginning in 1987, it started to cut cruises of naval ships abroad and has ceased oceanic naval exercises. On 25 July 1989, while recounting the Soviet Union's new foreign policy thinking, Soviet Foreign Minister Shevardnadze stated: "In the past three years, there have been major positive changes in the foreign policy of the Soviet Union. Humanity has often seen that we are unswervingly determined to achieve the plan of eliminating nuclear weapons in stages by the year 2000. We are determined to attain the proposals of establishing a general security

system and a 'common European house,' defensive sufficiency, resolving regional conflicts, and withdrawing troops from bases in other countries and territories."

Analyzed in terms of goals, the strategic change in the foreign policy of the Soviet Union is a restructuring of traditional economic and political systems. Based on a sober analysis of the actual world, it is a thorough criticism of the traditional diplomatic line. Therefore, the strategic change in Soviet foreign policy is not a matter of rights and interests. Rather, it is in essence a way of bringing to a close the old generation and ushering in a new era.

### Gansu Cadre Training Seen as Promising Method for Leader Development

40050600 Zhengzhou LINGDAO KEXUE  
[LEADERSHIP SCIENCE] in Chinese  
No 5, May 89 pp 4-8

[Article by Lu Hao 7120 3185: "New Avenue for Cadre Selection Awards Initiative and Creativity"]

[Text] The tidal wave of reform is fiercely pounding this ancient and mysterious land called China. Generation after generation of heroes has been struggling in the storm to revive the country and build up the nation.

During a decade of reform, young and middle-aged intellectuals, catapulted into leadership positions by the mighty wave of history, have been playing a special role on the stage of society.

Look closely and you can see that these young and middle-aged cadres, now the mainstay of leading bodies at all levels, come from different backgrounds, have had different experiences, and have traveled different paths. It is a complicated job to sum up their growth. Among these young and middle-aged party and government cadres is a group whose experiences and history cannot but set us thinking and also enlighten us in some ways.

#### I

Take a look at these numbers:

Between 1980 and 1988, the organization department of the Gansu party committee selected a total of 518 outstanding students from 14 colleges and universities in the province and assigned them to work at the grassroots in all fields throughout Gansu's 14 prefectures, autonomous prefectures, and municipalities and 85 counties, cities, and districts. So far 245, or 47.3 percent, have been promoted to be township and town party committee deputy secretaries or deputy township or town chiefs or above. Twenty-eight of them are now county-level cadres, including county party committee secretaries and deputy secretaries, county chiefs and deputy county chiefs, and the heads of departments, offices, and bureaus directly under a prefecture. In addition, over 120 people have been appointed reserve cadres above the county level.

Between 1980 and 1983, the organization department of the Gansu party committee selected 69 cadres from departments directly under the province, scientific research units, large-scale enterprises, factories, and mines, and central government units in Gansu who had a college education or expertise in a particular field and appointed them as county party committee deputy secretaries and deputy county chiefs. Of this group of people, 26 so far have been promoted to leadership positions above the deputy prefectural level, including 11 who are now prefectural, autonomous prefectural, and municipal party committee secretaries, administrative office chiefs, prefectural chiefs, mayors, and heads of departments directly under the province.

In 1985, 117 cadres from departments, enterprises, and institutions directly under the province who were well-versed in industrial and economic management were promoted as county party committee deputy secretaries and deputy county chiefs (including 32 who were made section chiefs in economic agencies at the prefectural, autonomous prefectural, and municipal levels.)

In 1987, party secretaries in 77 of the province's 85 counties were up for election. Of the 85 people selected for appointment as deputy secretary of a county party committee and deputy county chief, 83, or 97.6 percent, won reelection, including some who were elected as county party committee secretary or county chief.

In 1988, 44 midlevel technical cadres in impoverished counties were appointed deputy county chiefs in charge of science and technology.

The above data describe in broad outline the selection of cadres to do grassroots work and fill us in on the essentials of cadre selection and promotion. Let us now take a look at the following excerpted notes which may give us a more vivid and tangible feel of the work of cadre selection and allocation and the growth of the cadres thus selected.

Place: A county in Gansu Province. Subject of conversation: A county party committee secretary. In the 7 years since 1982, I have made the grade three times, from a clerical worker to deputy bureau chief to county party committee secretary. Looking back at my personal growth, I am most impressed and touched by the way I was given a free hand by the organization. Of course, the people on the county party committee have also given me a lot of support.

Place: A county in Zhejiang Province. Subject of conversation: A cadre appointed deputy county chief in charge of economic work in 1985. Previously he was with a department directly under the province. After working in the county for over half a year, I was sent here for on-the-job training. Fifteen people came to Zhejiang. Others went to Guangdong, Fujian, Anhui, Sichuan, and Jiangsu for on-the-job training. During the 3 months here, I have taken part in negotiations involving the importation of foreign capital, examined and signed eight economic contracts, and studied six individually and jointly operated enterprises and Sino-foreign joint ventures. It has been a real eye-opener. I have become more knowledgeable and honed my skills. After I go back, I would know how to tackle our work back home.

Place: A county in Zang Autonomous Prefecture in Gansu Province. Subject of conversation: A cadre appointed deputy county chief in charge of scientific and technical work in 1988. I used to work in a research institute. Apart from the office attendants, all the people at the institute had a college education. There were dozens of people like me in midlevel technical positions. I kept turning out research paper after research paper, received many scientific research awards, and was paid considerable sums for my writings. Still, I felt kind of

frustrated there. It so happened that the province was looking for cadres for appointment as deputy county chiefs in charge of science and technology in impoverished counties. I applied. My specialty is animal husbandry and this is a pastoral area, just the kind of place where I can put my expertise to good use. Right now I am drawing up a countywide 3-year scientific and technical development plan and an animal husbandry development plan.

Place: A student dormitory of the central party school in Beijing's western suburbs. Subject of conversation: A cadre appointed deputy secretary of a county party committee in 1980 and currently secretary of a prefectural party committee. This is the third time I have been sent to a party school to study. The first two times I studied at the party school under the provincial party committee. My reading matter is very diverse, Marx, Engels, Mao Zedong, Reagan, Nixon, Greek mythology. Then there are books like *Leadership* and *On Power*. The CPC is a ruling party. As party and government leaders, we must range far and wide in what we learn. Only by standing on the shoulders of "theoretical giants" can we get to know the world on a macro level and lead the masses in transforming the world. Only that way can we escape the fate of being eliminated in ferocious international competition.

Place: A county in Linjia Hui Autonomous Prefecture in Gansu Province. Subject of conversation: A county chief. Cadre selection work enjoys widespread support in society, including cadres like us who were born and grew up locally. An important point is that cadre selection must be closely related to the economic development needs of the province. Different types of cadres should be selected in different periods of time; 1985 was a breakthrough year for township and town enterprises in Gansu, a time when such enterprises grew rapidly. That year you people appointed a host of deputy county chiefs with special skills and put them in charge of economic affairs. That was a timely move. In 1988, the provincial party committee and provincial government put forward the slogan that the province must be founded on science and technology. Again you guys appointed scientific and technical deputy county chiefs. Cadres are not trained and appointed in isolation. Instead such work is part and parcel of overall economic development. That is its outstanding feature.

Because space is limited, we can only reprint excerpts of our conversations with the cadres selected.

## II

After perusing the materials on cadre selection for grassroots work, we seem to have learned a thing or two.

Lesson one: Selecting cadres to work at the grassroots contributes to planned, goal-oriented directed training and management by objectives. It is consistent with the laws of the development of qualified personnel.

First, on a theoretical level, the emergence of qualified personnel and talent is inseparable from innate physiological factors and postnatal social practice. Innate physiological factors refer to the material basis for the emergence of qualified personnel and talent, while postnatal social practice constitutes the decisive factor for their emergence. Without social practice, no qualified personnel and no talent can emerge. Similarly, without social practice, no outstanding party and government leaders can appear at any level. This is the rationale behind our decision to select cadres and put them through training at the grassroots.

Second, a word about the subjects of selection. Common to all these outstanding college graduates and institutional cadres with special expertise is the fact that they are relatively young, energetic, and well-educated and have a lively mind and a broad vision. They are full of eagerness and ambition to do something for the party and the people. However, they also have obvious weaknesses. They have little knowledge or understanding of society at the grassroots. They cannot bear hardships and lack perseverance and a steady work style. They are not adept at dealing with emergencies. They are emotional and vulnerable to external influences. Because of these shortcomings, they need training at the grassroots in society more urgently than other people.

Third, about the environment in which qualified personnel mature. More than anything else, innate factors contribute to the maturing and success of qualified personnel. Next is the external factor, that is, the environment. The selection of the right seedlings is certainly important to the development of qualified personnel. Actually, it is the most important thing. But the importance of the external environment in the maturing of qualified personnel cannot be ignored either. The ancients said, "If you plant fleabane among hemp, it will straighten up naturally without support." They also said, "One gets red when using vermillion and black when using ink." These sayings both testify to the enormous influence of the external environment. To send the best college students and institutional cadres to work in party and government organs in the counties and townships is actually to create the necessary social environment for their growth. This environment for social practice is different from the ivory tower and the narrow confined world of the office. Instead, it provides on-the-job training and practice in a larger sphere and more extensive territory. Only practice in this kind of environment would enable them to mature into outstanding party and government leaders.

Fourth, the objective of training. The objective of selecting cadres to work in counties and townships is clear: nurture a host of new grassroots party and government leaders who can live up to the demands of the four modernizations. This is an organized, planned, focused, and objective-oriented method of cadre training. The objective of training determines that the grassroots in counties and townships be the starting point of cadre training. Grassroots training constitutes the transition



from micro management to macro management. Only after undergoing solid training in a township can a cadre take up county work, and only after undergoing solid training in a county can a cadre take up the work of a region successfully. An aptitude for macro management results from the accumulation of countless micro experiences. That is why we must stress "working one's way up" when it comes to the promotion of cadres.

In short, practice is the only criterion of truth. Practice over the past decade has proved and will continue to prove that selecting cadres for training at the basic level is an extremely effective method of cadre development and also conforms with the law of the development of qualified personnel.

Lesson two: Cadre selection can turn out a relatively large number of high-caliber party and government leaders at all levels within a specified period of time.

First, the nurturing and maturing of qualified personnel for society also involves the issue of social efficiency. We believe cadre selection is a good way to turn out a significant number of high-caliber party and government leaders at all levels within a specified period of time and is also consistent with the principle of efficiency in qualified personnel development. This is because apart from making use of a positive environment, this method also mobilizes and deploys the innate factor in the development of qualified personnel. It enhances the consciousness among young intellectuals for self-development as well as their initiative and enthusiasm. This is the most notable and remarkable thing about cadre selection.

There is an acute and long-term need in society for qualified personnel. This grim situation has given the selection of cadres a touch of a sacred historical mission. Without doubt, the cause of socialism requires tens of thousands of talented people in all areas. Since our party is a ruling party, party and government leading cadres occupy a special position and play a special role in the nation's political, economic, cultural, and social lives. Accordingly, the quality and quantity of party and government leaders has profound implications for the fortunes of the party and state and the perpetuation of socialism. At present, reform is being furthered steadily and economic construction is racing ahead with an unprecedented momentum. The launching of all kinds of undertakings requires more and better cadres. It demands that we turn out batch after batch of strategic qualified personnel that have a good understanding of Marxism-Leninism, can compete in the global economy, are farsighted, visionary, and knowledgeable, and can take us into the next century. These are the people to carry out the mission that history will entrust to us—leading the nation into the ranks of developed countries in the world. This is the long-term general mission facing China. On a practical level, it is all too clear that provinces differ in their level of economic development as a result of varied circumstances. Economic competition is, in effect, competition for qualified personnel and

technology. Provinces are now playing a "catch-up" game among themselves. The coastal provinces and special economic zones are developing rapidly economically. The reality is that the central government is currently in no position to give backward areas more preferential treatment in terms of financial and material resources. The gap between economically developed and undeveloped areas is widening. All this has only exacerbated the brain drain from backward areas and intensified the predicament in which impoverished regions find themselves: On the one hand, they are trying desperately to shake off poverty; on the other hand, they are acutely short of qualified personnel. It is precisely this long-term need for qualified personnel and the grim challenge ahead that gives cadre selection a sense of mission. The notion of "Who else if not me?" undoubtedly drives the development of qualified personnel.

Second, the consistency between self-selection and social selection inspires and encourages the cadres selected to develop into useful persons as soon as possible and instills in them a strong sense of social responsibility. It is the Chinese tradition to overemphasize submissiveness and to restrain or stifle individual choice. When an individual's aspirations and likes do not coincide with his line of work, he is told of the need to subordinate personal needs to social needs. You may be drafted regardless of your personal wishes. "The needs of the organization are my wishes." Such is the way they dignify the process. Moreover, owing to weaknesses in the existing personnel management system, society provides few opportunities for people to choose their own jobs. This kind of professional environment, which submerges "individuality" under "generality," strangles initiative and creativity, ultimately leading to social inertia. Cadre selection, in contrast, boasts an open and sincere attitude and well-defined objectives. It adheres to the principle of selecting the best from among volunteers and creates an open environment where jobs can be freely chosen. It brings together comrades committed to party and government work as their life-long vocation and the social need for party and government work. This union gives cadres a strong sense of social responsibility, a powerful driving force for personal improvement. Working together, subjective and objective factors make for the early maturation of the cadres.

Third, a hundred barges struggle to race ahead of one another. Competition among qualified personnel gives the cadres selected a sense of urgency about developing into a useful person. Organizationally, we may provide a favorable environment where all the selected cadres have an opportunity to grow and mature, but this in no way guarantees or implies that every one of them will develop into a useful person. Besides, county chiefs and county party committee secretaries by no means hold "iron rice bowls." The initial selection and appointment may be regarded as an act of patronage. After 3 years, however, every cadre faces a grim merciless challenge in the form of re-election. It hangs over his head like the sword of Damocles. Also, these cadres are selected in groups, not

individually, so they can see how their peers are doing, whether they are advancing, being promoted, falling behind, or stagnating. Someone's failure serves as an object lesson to others. The resultant competition and the rule of the survival of the fittest put tremendous psychological pressure on the cadres and engender among them a sense of crisis: They feel as if they were treading on thin ice. Hence they are motivated to put all their energies into their study and work hard to achieve something and become useful persons without delay.

Lesson three: Cadre selection offers all young ambitious intellectuals interested in doing something at the grassroots in counties and townships an opportunity to make choices and forge ahead in life. Cadre selection is becoming more and more popular and has a bright future.

It has been almost a decade since cadre selection was first launched. Through all these years it has not slackened at all but has shown tremendous vitality. It is socially popular and has received much attention. The reason is that it is consistent with the conditions in Gansu, which gives it a solid foundation.

Nationally speaking, Gansu belongs to the swatch of old liberated areas, minority-inhabited areas, border regions, and impoverished regions. It is backward economically and culturally and suffers from a dire shortage of qualified personnel. Even within Gansu itself, the distribution of experts and talent is highly uneven. As some experts and scholars put it, "qualified personnel are distributed in a centripetal pattern, reaching the highest density in the provincial capital." About 50 percent of those with a college education or some special expertise are concentrated in organizations directly under the province. Many units are overstaffed, resulting in a serious waste of talent. Moreover, under the present personnel management system, "people are assigned to a job for life," a shortcoming which robs many young intellectuals of an opportunity to exercise their abilities in the service of their country even if they are so inclined. Cadre selection gives them a second chance to make choices and wage a valiant struggle in life.

To revitalize itself and take off economically, Gansu must first wait for the prefectures and counties to take off economically. The shortage of qualified personnel, particularly personnel skilled in economic and scientific and technical management, puts a limit on economic management to a certain extent. Selecting and sending cadres to work on the first front in rural areas relieves the personnel shortage at the county and township levels, on the one hand, and improves the composition of party and government leading bodies at those levels and enhances their scientific policymaking ability and their capacity to provide leadership in economic work; on the other, thereby promoting economic development in the countryside. Accordingly, cadres and the masses at the grassroots have been welcoming with open arms young intellectuals willing to dedicate themselves to the construction of the new socialist countryside.

As batch after batch of selected cadres mature and do well at the grassroots, their example proves highly appealing to a host of newcomers who are motivated to put their skills to use at the grassroots. The experience in social practice and the success stories of the pioneers, ranging from rank-and-file cadres and township chiefs and township party committee secretaries to county chiefs, county party committee secretaries, administrative office heads, and prefectural party committee secretaries, powerfully inspire all organizational cadres not content with a humdrum life confined to an office and all young intellectuals interested in politics. Eager to be challenged, they apply in droves for assignments at the grassroots in the toughest areas. In 1988, the organization department of the Gansu party committee decided to select 40 top students from among the graduates of colleges and universities under the province. Within a few days, it was swarmed with almost a thousand applications. Cadre selection has opened up a new way to channel qualified personnel properly and is attracting more and more young people. Its prospects are extremely bright.

Lesson four: The organization departments of party committees should regard cadre selection as a piece of systems engineering in the development of qualified personnel and improve it gradually.

On a theoretical level, cadre selection is compatible with Marxist tenets regarding the training of qualified personnel. Practically, it is also in line with the law of the growth of qualified personnel. It can look forward to a bright future. But this does not mean that cadre selection is perfect as it is. Like all newborn things in the process of growth, there are aspects of cadre selection in practice that merit our concern and attention. As far as the cadres selected are concerned, because of the special status of the program and the favorable external environment, they tend to feel a sense of unrealistic "superiority." Because they have been selected programmatically and are being trained in a planned and goal-oriented way, they run a greater risk of becoming dependent institutionally. That is, they are more apt to develop an inertia. Preoccupied with the need to come up with some achievement, they may resort to any means to accomplish their ends. Eager for quick payoffs, they may act in a shortsighted manner. As far as the organization which runs the program is concerned, it is prone to helping the shoots grow by pulling them upward, in other words, spoiling things as a result of their excessive solicitousness. Impatient for results, they may be less than fair in their promotion and appointment decisions. That is, they may not treat selected cadres and those who have risen through the ranks equally. Their excessive "attention" to and "support" for the selected cadres may create an impression of "favoritism" among local cadres, which would lead to conflicts in the work environment. In watching out for those who do well, the organization may very well ignore or discriminate against those who fail to make the grade, are incompetent, or are demoted, when in fact showing concern for the latter group is in a sense

even more important than taking care of the others. These tendencies and problems should be addressed and tackled by the organization departments in the future. Weaknesses should be identified and solutions put forward to make the task of selecting cadres to work at the grassroots institutionally better, more flexible in format, and more scientific in practice so that it can turn out more and better party and government leaders to serve reform and the four modernizations.

Cadre selection is still under way. The jury—society—is still out. In the final analysis, the survival of this particular method of cadre training depends on how well it does in practice. Any conclusion we draw now is premature. Our purpose is merely to focus public spotlight on this method of training party and government leaders by expressing our superficial understanding derived from personal participation so that it can claim its place in the systems engineering of cadre development, selection, and utilization alongside a host of other methods.

## PROVINCIAL

### Hebei First-Half Economic Results Reported

SK1880423 Shijiazhuang Hebei Provincial Service in  
Mandarin 2200 GMT 21 Jul 89

[Summary] During the January-June period, Hebei Province showed a 7-percent increase in its gross national product over the same period of 1988 and a 6.8-percent increase in its national income. It realized 24.862 billion yuan in its total industrial output value, an 8.8-percent increase over the same period of 1988. It also showed a 12-percent increase in its taxes and profits handed over to the state. Its summer grain output reached 8.58 million tons, a 3.4-percent increase over the previous peak. The province's investment in fixed assets of the state-run enterprises showed a 6.3-percent decrease over the same period of 1988. The total retail sales of social commodities showed a 14.8-percent increase over the same period of 1988. The province's local financial revenues showed a 16.7-percent increase over the same period of 1988. The general index of social commodity prices showed a 28.2-percent increase over the same period of 1988 and a 2.1 percentage point decrease over that in January.

### Hunan Starts Stocktaking of Credit Capital

HK0308062589 Changsha Hunan Provincial Service in  
Mandarin 2200 GMT 2 Aug 89

[Text] The provincial government yesterday evening held a telephone conference that decided a stocktaking of credit capital would be carried out among enterprises, service units, government organs, and other organizations with bank accounts throughout the province so as to ease the capital shortage.

During the telephone conference, (Lu Huiyun), secretary general of the provincial government, briefed the meeting participants on the economic and financial situation in the province for the first half of this year. According to him, the vast number of cadres of governments at all levels and of the financial sector in the province did a great deal of work and made some progress in attracting savings deposits, readjusting the credit structure, and recovering banknotes from circulation in the first half of this year. But the province still faces four problems: 1) Much of the fund designated to procurement of rural products has been appropriated for other purposes; 2) many funds have been locked in the stock of commodities; 3) many funds have been appropriated to enterprises which are suffering losses; and 4) many funds have been locked as debts. As a result, the total amount of various inappropriately extended loans exceeded 4.5 billion yuan by the end of June. In this connection, during a routine work meeting the provincial government decided that a credit stocktaking operation would be started this month throughout the province among all enterprises, service units, government organs, and other organizations that had accounts with

banks. The operation will cover stocktaking of misappropriated funds, funds locked in overstock, overdue loans, debts due to workers and staff, loan interests, and tax revenues inappropriately kept by banks.

The telephone conference demanded that all enterprises, service units, government organs, and other organizations start a thorough self-inspection by the end of September; branches of the People's Bank at all levels form special groups to conduct a sampling inspection by the end of October; and the provincial government set up a working group to inspect and supervise the stocktaking operation.

Governor Chen Pangzhu made a concluding speech. He urged governments at all levels to strengthen leadership over the stocktaking operation, and urged all departments concerned to take the credit capital stocktaking operation as a key task and to do a good job in this respect. He also expressed his hope that all specialized banks would make greater efforts to increase savings deposits and make contributions to the overall economic growth of the province.

### Jiangsu Releases Data on 1989 Economic Progress

OW0308052889 Nanjing XINHUA RIBAO in Chinese  
14 Jul 89 p 1

[Text] Data provided by the Jiangsu Provincial Statistics Bureau show that the province's economy developed steadily in the first half of the year. However, there are still many problems in the economy. This calls for all people in the province to make concerted efforts to continue in an unswerving manner the work of improving the economic environment, rectifying economic order, and strengthening reforms.

Industry: The industrial growth rate has begun to slow down, but the industrial structure remains irrational. In the first half of the year, the province's total industrial output value was 76.95 billion yuan, a 9.9-percent increase over the same period of last year. However, this growth rate is 14.4 percent less than that in the overheating period of last year. Of 82 major industrial products checked, 73 percent fulfilled their production plans. In industrial structure, however, contradictions apparently are not yet mitigated. Slow growth or even reductions occurred in the production of state enterprises, which constitute the mainstay of the national economy, as well as in the production of some energy products, raw and semifinished materials, products for agricultural use, and some consumer goods for daily use, such as electricity, steel products, chemical fertilizer, and soap. Meanwhile, economic results were not improved considerably in industry. The amount of profits and taxes delivered to the state by industrial enterprises did not increase much. The amount of profits and taxes delivered by all enterprises actually decreased, but the losses incurred by some enterprises increased. Comparable products costs went up.

**Agriculture:** Leadership in this regard was strengthened to some extent, but summer grain output decreased because of natural disasters. Since the beginning of this year, effective measures have been taken to strengthen agriculture, a weak link in various parts of the province, to wrest a good harvest. A fund for agricultural development was set up throughout the province, increasing agricultural input. In the first half of the year, the province spent 304 million yuan for the development of agriculture, forestry, and water conservation projects, increasing 15.5 percent over the same period of last year. While tightening credit control, agricultural loans increased by 516 million yuan over early last year. Because of natural disasters, summer grain output was estimated to be 10.26 million metric tons, decreasing about 10 percent compared with last year. Rapeseed output was estimated to be 680,000 metric tons, about a 9-percent increase over the same period of last year. In animal husbandry, the pigs in stock increased; raising big animals and sheep continued to develop; and poultry farms were on the decline.

**Investment:** Investments were reduced. In the first half of the year, state units in the province invested 3.66 billion yuan in fixed assets, down 20.08 percent compared with the same period last year. This included a 21-percent reduction of investment in capital construction and a 20.4-percent reduction of investment in updating and transformation projects. By the end of June, state units in the province had started 422 new projects, down 706 compared with the same period last year. State investments in localities were down 18.9 percent. Investments were reduced, but it was still far from reaching the goal of cutting investments by 56.8 percent. **Market:** The increase in the sales of commodities slowed down, and the growth rate of the price index dropped. Retail sales of commodities in the whole province for the first half of this year amount to 31.2 billion yuan, an increase of 17.8 percent over last year's corresponding period. If inflation is taken into account, retail sales actually declined. As for a price hike, the rate has dropped each month this year. The rate for February was 30.2 percent, but the rate diminished each month thereafter. As of May, it had come down by 5.2 percentage points. In spite of this, however, great efforts are still required to meet this year's price control target, because factors causing a continued price rise still exist.

**Foreign trade:** Because of the insufficient supply of commodities for export, there was a drop in the volume of exports. Although this year has seen more export transactions concluded than last year, the amount of procurement of commodities for export and the actual volume of exports declined from last year's corresponding period by 2 and 3 percent, respectively.

**Consumption:** Institutional consumption was put under control, while disbursement for bonuses grew rather quickly. This year, the excessively growing trend of institutional consumption has been reduced because of greater efforts made by governments at all levels to control such consumption. During the first half of this

year, institutional purchases of consumer goods stood at 2.54 billion yuan, growing by 7 percent compared with last year's corresponding period. This rate of growth was appreciably below the 24.1 percent increase registered for the corresponding period of last year. The proportion of institutional purchases in the total retail sales of commodities in the province fell to 8.1 percent from last year's 8.8 percent. During the first half of this year, the amount of wages paid to staff members and workers in the province totaled 7,453 million yuan, showing a 19.3-percent increase above last year's corresponding period. This rate of increase was less than that for last year's corresponding period. The amount of bonuses climbed by 25.7 percent, greater than the rate of wage increases.

**Financial work:** The differential between deposits and loans was reduced, while better results were achieved in recalling part of the currency issued. This year, financial institutions have used various methods to solicit deposits and strictly control the issuance of loans. This has increased the amount of deposits and reduced the differential between deposits and loans. As far as all kinds of deposit accounts in the province are concerned, the balance at the end of June was 3,569 million yuan more than that at the beginning of the year. The balance in the deposit accounts of urban and rural residents was 26,874 million yuan at the end of June, up by 3,686 million yuan from the balance at the beginning of the year.

### **Jiangxi Economic Statistics Show Mixed Progress for 1989**

*OW0308001789 Nanchang Jiangxi Provincial Service  
in Mandarin 1000 GMT 25 Jul 89*

[Text] According to statistical reports on eight economic categories released jointly by provincial departments concerned, in the first half of this year the scale of fixed assets investment in Jiangxi was under control, the rise of the total wages for staff members and workers slowed, banks further strengthened their control over loans, industrial productivity increased somewhat, and energy consumption per unit of production was reduced. However, economic results in industrial production are still not satisfactory. The rate of profits and taxes from funds used started to decrease. The rate of profits and taxes from sales also continued to decrease. The costs of comparable products continued to increase, although the rate of increase was lower than that in the previous year. In the first half of this year, the total fixed assets investments by state enterprises rose by 3.6 percent as compared with the corresponding period of last year. The percentage is slightly lower in local projects. The amount of fixed assets investments in Nanchang, Jingdezhen, Pingxiang, Jiujiang, and Xinyu was lower than that in the same period of last year. The total wages of staff members and workers in the whole province amounted to 2,589 million yuan, of which the total wages of staff members and workers of state enterprises rose by 19.1 percent as compared with the same period

last year. At the end of June, the balance of bank loans was 20 million yuan less than in the early part of this year. In the first half of this year, the labor productivity of enterprises with independent accounting increased by 1.2 percent as compared with the same period of last year. From January to May, the cost of comparable industrial products rose by 20.2 percent, slightly lower than the previous months. The increase in Pingxiang City, Jiujiang City, Ganzhou Prefecture, and Fuzhou Prefecture was higher than the provincial average. Jingdezhen City registered the smallest rise in the cost of comparable industrial products.

Energy consumption per 10,000 yuan worth of industrial products in the first half of this year decreased by 0.07 metric tons, 1.33 percent lower than in the same period of last year. Energy consumption in Xinyu and three other prefectures increased.

In the first half of this year, the rate of profits and taxes from sales of industrial enterprises was 13.61 percent, a decrease of 1.31 percent as compared with the same period of last year. The rate of profits and taxes from funds was 17.72 percent, a decrease of 1.30 percent as compared with the same period of last year.

### Shanghai's Economy Develops 'Steadily'

HK2907040689 Beijing ZHONGGUO XINWEN SHE  
in Chinese 1345 GMT 26 July 89

[Report: "Shanghai Saw a Steady Economic Development in the First Half of the Year"—ZHONGGUO XINWEN SHE headline]

[Text] Shanghai, 26 Jul (ZHONGGUO XINWEN SHE)—Li Maohuan, Shanghai Statistics Bureau chief, today characterized Shanghai's economic situation in the first half of the year as "developing steadily; total social supply has kept expanding, excessive total demand has been checked, and preliminary results have been achieved in economic improvement and rectification."

The municipal gross domestic product for the last 6 months totaled 33.4 billion yuan, an increase of 7.4 percent over the same period of last year if calculated with comparable prices.

Li Maohuan revealed this afternoon at a press conference that Shanghai's midyear gross value of industrial output rose 9 percent over the same period of last year. The scope of increases for products to which the market is receptive, and for such durable consumer products as automobiles, color television sets, and domestic refrigerators, has been relatively great. Inputs in agriculture have also increased. Production and supply of major foodstuffs improved significantly over last year. The reduction in the scale of investment in fixed capital has achieved certain results, with an investment reduction of 5,160 million yuan. The overheated consumption demand has cooled down, which is evidenced by the present relatively stable level of market sales; price control has gained some effects—residents have

switched from the previous act of "purchasing to retain their money value" to "depositing savings."

Touching on the present difficulties and contradictions facing the municipal economy, Li Maohuan said its industrial development has continued to slide toward those private industries that have low economic returns, owing to the irrational state in the industries' internal structure and shortages in energy and raw materials. The gross value of industrial output achieved by all units owned by the whole people increased by only 1.6 percent, 22 percentage points lower than the increase rate enjoyed by the collective industries. Gross industrial output value of locally administered industries owned by the whole people, which are the main body of Shanghai's industry, decreased by 0.3 percent compared with the same period last year. The scope of decrease is even greater in textile and metallurgy industries. In sum, the development of the industries owned by the whole people has tapered off. However, the scale of fixed capital investment in ongoing projects still tend to be large. And the increase of financial expenditures far outpaces financial revenues.

## INDUSTRY

### Jiangxi Textile Industry Faces Raw Material Shortage

OW2607054489 Nanchang Jiangxi Provincial Service in  
Mandarin 1000 GMT 12 Jul 89

[Text] The textile industry in our province has rapidly overcome the difficulties in production which had cropped up since the beginning of this year after it had readjusted the structure of its raw materials and changed its product mix. Production in April and May had steadily increased. By the end of June, it had already fulfilled the production targets for the first half of this year in an overall manner.

At the beginning of this year, the textile industry in our province experienced a shortage of raw materials. The cotton and synthetic fiber allocated by the state can only meet 45 percent of what the industry actually needs in production. In face of this difficulty, leadership at all levels in Jiangxi's textile industry has led all cadres and workers to clearly understand current conditions, take the overall situation into consideration, and adopt various measures to overcome difficulties. They have acquired half the raw materials they needed for the first half of this year by processing products with buyers' own materials and by expanding the use of noncotton fibers in production. At the same time, they have readjusted the product mix, improved production quality, processed products with increased intensity, and turned out more new products. The textile industry in Jiangxi planned to turn out 54 new products this year. Thirty such products have already passed inspection and testing.

Over the past 2 months, the cadres and workers in Jiangxi's textile industry have worked hard at their posts to increase production. By the end of June, Jiangxi's textile industry had achieved the best monthly production record. According to an estimate by a relevant department, the situation in Jiangxi's textile industry remains grim for the second half of this year. Some factories are still faced with the danger of closing due to lack of raw materials. In face of this situation, the cadres and workers in Jiangxi's textile industry must remain sober-minded at all times, and persistently overcome difficulties in order to fulfill and overfulfill this year's production targets.

## CONSTRUCTION

### Shanghai To Cut Back Capital Construction

OW0108112389 Shanghai City Service in Mandarin  
2200 GMT 25 Jul 89

[Text] On 25 July, Vice Mayor Ni Tianzeng announced in Shanghai at a meeting on reducing the scale of capital construction and screening construction engineering units that, in the second half of the year, Shanghai will take effective measures to resolutely reduce the scale of capital construction. The scale of capital construction in Shanghai is still too large, with a tendency to further expand in the first half of the year. The investment made by Shanghai in fixed assets in the first half of the year amounted to 6.49 billion yuan, up 18.8 percent from last year's corresponding period. As many as 330,000 construction workers from out of town swarmed to Shanghai during the first 6 months, roughly the same number as in the first half of last year. For this reason, the municipal planning committee and the municipal construction committee have decided to take effective measures to reduce the scale of capital construction. The construction of certain projects will be suspended, or will not be permitted to start. They include projects for which funds are lacking or insufficient, projects for which contracts were signed in a rush at the end of last year and the builders were not sought through open bidding according to regulations this year, projects for which construction funds are in arrears for over 2 months, and projects for which annual funds have been used up or are unavailable. All banks concerned should immediately stop the payment of funds for the suspended projects and the projects which are not permitted to start. It is necessary to cut back the construction engineering force by 150,000 workers in accordance with the plan mapped out early this year. At the same time, the municipal construction management bureau has ruled that, beginning 1 September, it is prohibited to hire laborers from out of town to build construction projects in Shanghai, with the exception of Shanghai's key construction projects, joint ventures, cooperative enterprises, and wholly foreign-owned enterprises.

Vice Mayor Ni Tianzeng emphasized: "While taking resolute measures, we should also set and improve necessary rules and regulations concerning planning,

funds, requests for approval of the start of construction projects, and management of construction engineering workers."

## FOREIGN TRADE, INVESTMENT

### Impact of New U.S. Trade Law on Sino-U.S. Trade

4060659 Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 5, 30 May 89 pp 11-15, 51

[Article by Zhang Xiangyu 1728 5046 7183: "The New U.S. Trade Law and Its Impact on Sino-U.S. Trade"]

[Excerpts] On 23 August 1988 U.S. President Reagan signed into law one of the most massive trade bills in U.S. history—the Omnibus Trade and Competitiveness Act of 1988. This bill totals 10 chapters and 1,000 pages. It expresses the newest U.S. trade policy, touching upon imports, exports, and various other matters relating to trade, and will have a definite impact upon any nation having import-export trade relations with the United States. [passage omitted]

### III. Amendment of "Section 337"

"Section 337" is a very important component of the U.S. trade legal system. It is the 337th section of the U.S. 1930 tariff law, so is called "Section 337." When this section is referred to in legal cases, it is also called Case 337. This section counters unfair competitive and trade practices, and has traditionally been employed where foreign exporters have violated U.S. patents, trademarks, or copyrights. At the same time, it has also been used in some trust cases.

The U.S. International Trade Commission [ITC] has the responsibility of investigating those cases which come under Section 337. The President has the authority, in accordance with relevant policy, to consider the results of the investigation and either approve or disapprove these. If the outcome of the investigation is that the importation of a foreign commodity would be in violation of Section 337, the United States can partially or totally ban the import of that commodity, and can also adopt measures to temporarily restrict import of that commodity.

The traditional law required that when Section 337 was utilized to resist the import of foreign commodities, the complaining U.S. firm must prove two points: First, that the imported foreign commodity was produced through the illegal use of U.S. patented technology, or usurped a U.S. trademark or copyright; and second, that this particular import violation of Section 337 caused substantive damage to an existing U.S. industry, or would hinder the establishment of a new industry in the United States, or would restrict or monopolize U.S. trade or commerce. Both of these two proofs were absolutely necessary.

The new trade law abolishes the requirement of proving that a violation of intellectual property rights in an import will be substantively injurious to existing U.S. industry. In other parts of Section 337 which do not deal with intellectual property rights, it is necessary only to prove the so-called injury's "threat" or "intent." Therefore, according to the new law, in order to demand restrictions on a foreign import, a complaining firm need only prove that import of that commodity into the United States violates U.S. intellectual property rights. Due to the abolishment or relaxation of the substantive damage proof requirement, the possibility of U.S. firms going to court under Section 337 has increased considerably.

The new trade law makes some changes in Section 337 in other aspects. For instance, the original law stipulated that U.S. industry affected by foreign imports must be one that is "operated effectively, with clear benefits." In other words, an industry which is failing or which is poorly run cannot resort to Section 337 in court. At the same time that the new law abolishes this stipulation, it also broadens the definition of "industry." So the new law actually widens the scope of Section 337 under which complaining parties in the United States can bring suit. While the original Section 337 required the plaintiff to have abundant evidence before winning a case in situations where the defendant does not make a court appearance, the new law stipulates that if the defendant does not respond to a suit, the ITC can infer that the plaintiff's case is just, and it can then adopt appropriate measures. This revision lightens the plaintiff's burden of proof, while increasing the demand for the defendant to respond in court.

So far, there have been nearly 300 lawsuits brought under Section 337. Those suits aimed at China also had a great many precedents, for example the "toy monster" case, the "fur coat" case, etc. As the level of Chinese industry rises, the export of technological products must expand, bringing with it a greater likelihood of court cases involving Section 337.

#### **IV. Revision of the Antidumping and Countervailing Duty Laws**

In the areas of antidumping and countervailing duty laws, an important revision in the new trade law increases anticircumvention stipulations. The U.S. antidumping and countervailing duty laws have already had an impact on many countries which export to the United States. In order to evade the U.S.'s antidumping and countervailing duties, some exporting nations in recent years have built plants in the United States or in Third World countries, transported the parts from their own country for assembly, and then put the assembled product on sale in the U.S. market. The new law stipulates that when it is determined that a type of product is subject to the antidumping and countervailing duty, the duty will be applicable to the same class of product when assembled in the United States or a Third World country.

This new provision potentially could have a definite impact on China's jointly funded enterprises with foreign nations and on enterprises which process imported materials. In recent years, some foreign firms, especially Japanese firms, have sent to China for assembly certain products which were hit by the U.S. antidumping and countervailing duty laws, and these products were later transported to the United States. According to the new law's provisions, this kind of retransporting is still subject to attack by the original antidumping and countervailing duty. For this reason, when China (especially the coastal zones) is negotiating the construction of a plant with a foreign firm, there should be special attention given to this matter.

In accordance with Section 12 of the General Agreement on Tariff and Trade, the new law also settles the question of third country dumping. The new law stipulates that if, for example, a U.S. industry recognizes that a product manufactured in the United States is being threatened by the low-priced dumping of a similar product from a third country and which is moreover causing damage, it can appeal to the U.S. Trade Representative [USTR] and demand that the government take measures. If the USTR feels that the appeal has merit, it can coordinate this with the relevant department of the foreign government through diplomatic channels, demanding that government take certain steps concerning the third country dumping. If the foreign government declines to take any action, the U.S. Government can, according to other U.S. laws such as Section 301, place appropriate sanctions on that country's trade with the United States. This new stipulation has a great deal about it that is unreasonable, as well as certainly affecting indirectly China's trade in the third nation.

The new trade law also modifies somewhat the "Voluntary Restraint Arrangement" on iron and steel. Even though this type of agreement is termed "voluntary," it has generally been the case that under U.S. Government pressure foreign governments had no choice but to sign the agreement with the United States. Exports of iron and steel products to the United States from signatory nations can be restricted by import quotas or market share. At present this kind of agreement is in effect between China and the United States, restricting through import quotas the amount of iron and steel products which China can export to the United States annually. By the end of 1988, the United States had concluded iron and steel "Voluntary Restraint Arrangements" with 19 nations, including the EEC. The new trade law adds a new provision to the iron and steel "Voluntary Restraint Arrangement." This new provision stipulates that if a nation which is party to the agreement ships iron and steel products to the United States via a nonsignatory nation, and the latter nation had used raw materials from the signatory nation to manufacture the iron and steel products, these products are also subject to the agreement's restrictions. This will undoubtedly affect China's iron and steel exports.



In antidumping cases, the extent of dumping on a market economy nation is determined by comparing the exporting nation's domestic price of the commodity in question with its price in the United States; if the latter price is less than the former, that is dumping. How much lower determines the extent of the dumping. However, dumping is determined by a different method in the so-called nonmarket economy nations. According to U.S. law, prices in these nations are state controlled, and therefore are not truly reliable; when calculating the extent of dumping, there has to be a comparison made between the price in some third country and that in the United States. In past antidumping cases, China was always regarded as a nonmarket economy nation. The original law stipulated that when choosing a third nation price for comparison, there should first be a determination of whether the price used is the third nation's market price or export price; but the new law requires that the first selected should be the "structural price," which is to say that the cost of manufacturing the product be taken into account in the comparison. This method requires that Chinese manufacturing plants be surveyed for such production factors as raw materials, fuel and labor force, and report these to the U.S. Department of Commerce. The Department of Commerce, based on the amount put into production and some substituted national model of a corresponding price, calculates the price of that type of commodity according to the Chinese model when manufactured in the third nation. Adopting the "structural price" over the market price method is a bit more reasonable, because it at least takes into consideration the special characteristics of Chinese manufacturing. But this method requires plants in China to raise the level of detail on their production data, and the Department of Commerce's calculations are rather complex. Therefore, when this method is applied, the lawyer's function is obviously very important. Lawyers can effectively gather information on the third nation's situation and demonstrate what data should be used and what should not, as well as how the Department of Commerce should use it. It was just this sort of method that was used in the 1987 bearing antidumping case, when the Chinese appealing unit won its appeal that it was not dumping.

According to the new trade law, the so-called nonmarket economy nations are those which do not implement the market principle of cost or price structure, with the result that in these nations domestic sales of a commodity do not reflect its fair value. As to whether China is still a nonmarket economy nation, the new law makes a reserve stipulation, which requires the U.S. Department of Commerce to thoroughly study such issues as China's economic reforms, especially the relevant reforms of China's price structure and market policies; the relationship between the domestic prices of Chinese products and their international prices; how U.S. trade laws actually affect China's market economy reforms; and, how the U.S. antidumping laws should be amended in order to be applicable to those nations carrying out the kind of market economy reforms that China is engaged

in. The new law further requires that the Department of Commerce's study be reported to Congress within 1 year after the law takes effect.

#### V. Revision of the Tariff System

The new trade law replaces the tariff classification system that has been in effect since 1963, with a new "Coordinated Tariff Classification System." The new law also approves the United States joining the "International Convention on Coordinated Commodity Definition and Classification System," drawn up by the International Tariff Cooperation Group. The United States began using the new tariff system on 1 January 1989.

The Coordinated Tariff Classification System substitutes an 11-digit number for the 7-digit number in the original customs classification method. The first 6 of the 11 digits are identical to the international convention's; the 7th and 8th digits indicate the rate of the tariff levied by the United States on the commodity; the 9th and 10th digits are for statistical objectives and further detail the classification; the 11th digit is for the computer program to check the accuracy and design of the first 10 digits. For example, 848220 is the classification for thrust-type ball bearings, while 84822000505 is their completely assembled number. According to this number, one can look up their tariff rate.

The new classification method is a distinct improvement over the original one. The new classification method makes precision much easier, while it is identical to the classification method prevalent internationally. Adoption of the new classification method actually brings with it some important changes for U.S. customs. First of all, the new classification method adopted is the same as that used internationally; therefore, U.S. importers and foreign exporters have the same basis for determining a commodity's classification, and can avoid the past difficulties caused by lack of a common language between importers and exporters. In addition, U.S. courts in the past had the highest authority in interpreting the customs classification of commodities and their tariff rates. The adoption of the international classification method not only takes away this authority, it also means that the U.S. courts' interpretation must be the same as that of the International Tariff Cooperation Group. Also, the original U.S. customs classification used the English system for a commodity's units of weight, while the new coordinated method uses the metric system's units. Although this could create some temporary difficulties for U.S. importers in its application, it will facilitate matters for most foreign exporters.

The new tariff method takes the weight principle as the basis for classification, replacing the former value analysis principle. This change caused some changes in the commodity classification, and thereby caused further changes in the tariff rates and quotas. For example,

silicon was originally determined to be a metallic commodity, and now it is classed as a non-metallic commodity. This kind of change is especially evident in the area of textile products.

There has been in China a lack of study of U.S. customs classification methods and tariff rates. Mastering the U.S. customs classification could not only enable our products to enter the U.S. market smoothly, it might also avoid some needless losses in the area of tariff rates and quotas. For example, a type of imported product can be regarded either as a completed item or it can be regarded as a component, which could mean a difference in its tariff rate. Just by altering a product a little bit during its processing could possibly avoid antidumping or other import restrictions. With the development of trade with the United States and the increasing number of U.S. companies in China, the study of U.S. customs becomes an obvious necessity.

## VI. Other Changes

### A. "Section 301"

This is an important section of the U.S. Trade Act of 1974. Its basic content is when a foreign nation adopts discriminatory, unfair, or unreasonable practices in its commerce or trade with the United States, the U.S. Government can pull up this case for investigation, and can place retaliatory restrictions on that nation's trade benefits in the United States. The new trade law does not alter this section in essence, but it does make some modifications in its implementation process. The new law transfers the authority to act from the President to the U.S. Trade Representative. In addition, the new law makes retaliatory actions mandatory; in other words, as long as the results of the investigation affirm the foreign nation's discrimination in its commerce and trade with the United States, the U.S. Trade Representative's Office must enact retaliatory measures. Originally, the government could make a study of the issue, regardless of whether it took retaliatory actions.

"Section 301" interferes with the sovereignty of foreign nations, and contains trade protectionism. This section turns many nations into targets for attack, and has been criticized by many nations. Since this section went into effect, there have been over 20 court cases brought up under it, and the great majority of these were directed at nations with whom the United States has a trade deficit.

The new trade law also puts forward a section called "Super 301." Under this section, the Congress requires the International Trade Representative's Office to carry out some "301"-type investigations of nations which restrict U.S. commerce and trade. The law does not specify which nations are to be investigation targets, but it does provide some criteria. Some examples of these are barriers to the importation of U.S. goods and services and inappropriate protections for U.S. patents, trademarks, and copyrights. The International Trade Representative will, prior to 30 May 1989, draw up a list of

nations to be investigated, and report these to Congress. The general belief is that the nations which will be investigated are those with whom the United States has severe trade deficits. It is even more commonly believed that the application of "Super 301" will bring on a new trade war.

### B. "Section 201"

The chief contents of this section are when the importation of a foreign commodity causes substantive injury or the threat of substantive injury to a U.S. industry, the industry harmed can demand that the U.S. International Trade Commission undertake an investigation, and according to the results of that investigation the commission can place restrictions on that nation's imports, to rescue the injured industry. Section 201 is a fair trade section, and does not require proof that the foreign nation is engaged in unfair competition; it only requires proof that the foreign nation's imports are substantively injuring a U.S. industry.

There can be many factors which create a domestic, industrial slump. The original Section 201 stipulated that a foreign nation's imports must be the substantive cause of this kind of damage, but the new law permits the foreign nation's imports to be considered along with other causes. This really makes Section 201 easier to apply. Moreover, the original law stipulated that, when 201's restrictive measures were adopted, the restriction period would be for 5 years, and if after those 5 years the domestic industry had still not recovered, the maximum extension could only be 3 years. But the new law stipulates that the one-time restrictions on foreign imports can be in excess of 8 years. The law requires that during the time period of the restrictions, the International Trade Commission will supervise the recovery and development of the domestic industry, in order to modify, alleviate and eliminate the restrictive measures when it is opportune to do so.

Section 201 has been applied in the past to Chinese imports, as in the 1980 Canned Mushrooms case, and in the 1986 Iron Castings case. Because there are rigorous standards for the application of Section 201, in past law cases its restrictive measures were probably chosen only about one-fifth of the time, and therefore they were not used as extensively as antidumping or countervailing duty laws.

### C. The National Security Section

According to the National Security Section, the United States can place restrictions on foreign imports and investment on the grounds of a threat to national security.

The new law greatly reduces the process period for implementing this section. The original law required that the Department of Commerce complete its investigation within 1 year, while the new law reduces that time to 270 days; moreover, the new law mandates that the President decide whether to take action within 90 days after he

receives the Department of Commerce report. The original law required the President to present to Congress a written explanation of his action within 60 days after his decision, while the new law decreases this time period to 30 days. The new law also stipulates that if the President believes the appropriate action is to reach agreement with the other nation, then that agreement must be reached within 180 days; if not, then the President must choose some other course of action to remove the threat.

According to the new trade law, the President also has the authority to investigate and limit foreign investment in the United States. If the President believes that a foreign nation's ability to purchase or take over U.S. companies presents a threat to national security, he can choose "appropriate measures," while at the same time reporting his decision and reasons to the Congress.

#### D. The Export Control Act

The new trade law makes many changes in the Export Control Act. The new law relaxes controls on the export of technology to China to a certain degree. For example, concerning exhibits in China of the most advanced U.S. science and technology, the new law lowers the criteria for obtaining an export license. At the same time, the first use of the new law's "authorization for license" will concern Chinese exports. Under this licensing system, U.S. firms can transport a given product to China many times on one license, and need not make application for a license each time they ship, as in the past. This will definitely have a positive effect on furthering U.S. shipment of scientific and technical products to China. However, the new law still contains many unreasonable barriers to Chinese exports.

#### VII. Summary

The new trade law is very broad in scope, a concerted effort to benefit various elements in the United States, e.g., producers and consumers, importers and exporters, Democrats and Republicans, the Congress and the executive branch, etc. Its implementation has only just begun, its impact and effects remain to be seen. Regardless of whether it concerns Chinese exports to the United States or imports from the United States, this law has many new provisions. It will therefore have a massive impact on the development of Sino-U.S. trade. It is mandatory that Chinese legal and trade workers completely analyze and study it, in order to advance Sino-U.S. trade.

#### Commercial Attache Discusses Trade With Turkey

35540110a Istanbul DUNYA in Turkish 19 Jul 89 p 7

[Interview with Li Wei, trade attache of the PRC consulate in Istanbul; date and place not given]

[Text] Below is the text of the conversation we had with the trade attache of the PRC consulate in Istanbul, Li Wei, about economic and trade relations between Turkey and the PRC.

[DUNYA] What can you say about the present state of economic and trade relations between Turkey and the PRC?

[Li Wei] Economic and trade relations between Turkey and China have grown steadily since 1971 when diplomatic ties were established between the two countries. Thanks to serious efforts by both nations the total trade volume between the two countries reached \$300 million in 1988. Although this amount is not so great, when it is compared to the total trade volume of \$30 million during the 15-year period between 1971 and 1985 it is seen that significant growth has taken place in recent years.

[DUNYA] How do you see the Turkish market from a standpoint of PRC's export products?

[Li Wei] The major products we have exported to Turkey in recent years are petroleum, coal, rice, textile raw products, light industry products, chemicals, and machinery. A significant portion of our exports to Turkey consist of raw materials or capital goods. Our exports to Turkey are determined by what Turkey wishes to import. We want fully manufactured products and some consumer goods to be the principal component of our exports to Turkey.

[DUNYA] What problems and expectations does China have in its exports to Turkey?

[Li Wei] We are encountering some problems in the shipping of our export products because China and Turkey are geographically remote countries. Many of the products we export to Turkey are shipped through third countries. Some Chinese shipping companies [as published]. In my personal opinion such problems can be easily resolved through an agreement between the two governments aimed at preventing double taxation, or by making bilateral trade between the two countries more direct.

[DUNYA] What is the response of the Chinese market to the quality and technology of Turkish products?

[Li Wei] The principal products China imports from Turkey are: iron and steel, artificial fertilizers, wheat, chromium ore, paper products, and chemical products such as polyethylene. In general we are pleased with the quality of Turkish products, and we want to establish longer-term trade relations with Turkish producers. As you know, some unavoidable problems may emerge in trade relations. Besides product quality, there are problems such as the packaging standards and specifications which Turkey uses but which China is not accustomed to. However, we believe that such problems can be resolved through a spirit of mutual profitability and mutual understanding by the interested parties.

[DUNYA] What do you think about the future of economic and trade relations between Turkey and the PRC? What more can be done to improve economic and trade relations between the two nations?

[Li Wei] In my opinion, the development of economic and trade relations between the two countries is tied to the rapid economic growth of our nations. Stable economic growth in both countries will create important conditions for the development of economic and trade cooperation between our countries and will strengthen the potential for the advancement of bilateral relations.

China has made major strides in its foreign economic and trade relations thanks to the policy of reform and liberalization it has implemented since 1979. China's foreign trade volume soared to the record level of \$103 billion in 1988. In the last 10 years we have used foreign resources of \$33 billion, and 15,900 foreign-financed ventures were formed. During the same period, 6,750 contracts were signed for various foreign-financed projects totaling \$10.1 billion. We also signed 553 contracts for Chinese investments overseas totaling \$775 million. These constitute concrete indicators of the expansion of China's international economic and trade relations.

#### **Fujian Develops Trade Center for Taiwan, Hong Kong Funds**

*HK0108085689 Beijing ZHONGGUO XINWEN SHE in Chinese 1409 GMT 31 Jul 89*

[Report: "A 'Strait Trading Market' Will be Built in the Mawei Economic Development Zone of Fujian"—ZHONGGUO XINWEN SHE headline]

[Text] Fuzhou, 31 Jul (ZHONGGUO XINWEN SHE)—The director of the Fuzhou City's economic and technological development zone disclosed to our reporter several days ago that a "strait trading market" would be built in Mawei Port of the development zone.

There are 12 development zones on the mainland, and Mawei Port is the closest to Taiwan among ports in these development zones. Industrial investments in this port have increased rapidly and domestic and foreign trade have also expanded by a wide margin because of its superior geographical position and the state's preferential policy. Its exports totaled almost \$60 million in 1988 and its domestic trade amounted to 120 million yuan.

The strait trading market will be built on the basis of the present "Majiang open market." Covering an area of 10,000 square meters, this market will serve as a trade center combining domestic trade, foreign trade, and trade with Taiwan. Companies and shopping malls in this trade center will be entitled to the preferential policy of the economic development zone. A "strait trading firm" will be set up in this market to deal in domestic trade, to sell illegally imported commodities, to provide money exchanges with the Taiwan dollar, and to transmit business information for localities, enterprises, foreign investors, as well as Taiwan, Hong Kong, and Macao compatriots.

#### **Guangxi's Exports Drop in 1989**

*HK3107043689 Beijing ZHONGGUO XINWEN SHE in Chinese 0702 GMT 27 Jul 89*

[Text] Nanning, 27 Jul (ZHONGGUO XINWEN SHE)—This reporter has learned from the foreign trade departments that Guangxi's exports dropped in the first half of this year. Guangxi has fulfilled only 43.9 percent of the annual plan assigned by the state, a drop of 3.5 percent over the same period of last year. This represents a considerable drop in Guangxi's export in recent years.

The relevant officials are very much worried about this. As they see it, the poor performance in foreign trade purchases and export in the first half of this year has not only affected foreign exchange earnings but also increased pressure in the second half of this year. The prospects are not very promising.

According to surveys, price increases in the domestic market and the raising of credit rates drastically increased the costs of export in terms of foreign exchange, resulting in more losses for more exports. For this reason, many export units in Guangxi were not enthusiastic about exporting. On the other hand, however, affected by higher prices in neighboring provinces, large quantities of Guangxi's traditional, bulk export commodities, such as cassia bark, silkworm cocoons, and rosin, have flown to other provinces. Take cassia bark as an example. By the end of last May, with other provinces purchasing it at a higher price and some illegally operated units and self-employed households taking a hand in buying it, the cassia bark purchased by the foreign trade departments throughout the region accounted for only 10 percent of the annual plan.

Moreover, since institution of the contracted financial system from one level to another, the factory costs of some commodities have risen as a result of the rising prices of raw materials. This, plus the strains on electricity, transport, and energy, has also contributed to the drop in exports.

#### **'Stability' Attracts Foreign Firms to Jiangxi**

*OW1608102289 Nanchang JIANGXI RIBAO in Chinese 31 Jul 89 p 1*

[Text] According to a report by reporter Hu Rongrong, Jiangxi Province has offset the effects of turmoil on the use of foreign funds and has continued to maintain a rapid growth rate in this work. This reporter learned on 27 July from the provincial department of foreign economic relations and trade that this year the province has added 27 foreign-funded projects, and the contracts on the use of foreign capital are worth \$57.19 million, doubling the figure for the same period last year.

Political and economic stability in our province is one major factor that attracts foreign firms to invest in and cooperate with us. At one time foreign firms were upset by the recent turmoil and counterrevolutionary rebellion in Beijing. They were worried that China might change

its reform and open policy, and that their investment interests would suffer. The provincial party committee, government, and departments concerned promptly publicized and explained our policy to them and set their minds at ease. On many occasions, Wu Guanzheng, Jiang Zhuping, and other leading comrades met with general managers of the three types of partly or wholly foreign-owned enterprises. Leaders of the provincial department of foreign economic relations and trade, other departments concerned, prefectures, and cities separately went to some of these enterprises to understand the actual situation there and to help solve specific problems in management. This helped to gradually dispel the worries of foreign firms after they were able to better understand Jiangxi's stable investment environment. During the period of turmoil, none of the foreign-funded enterprises stopped production or withdrew their capital. Since June, formal agreements have been signed for four more joint ventures and a cooperative project with a foreign firm, in addition to signing contracts for 10 projects that employed the three modes of import processing and compensatory trade. More than 20 Jiangxi-based foreign management and technical personnel have all come back.

This year our province has increased the number of foreign-funded projects as well as the amount of investment. Starting in July, the Hongxing Reclamation Farm used a loan by the British Government to develop the production of citric acid, which involved the use of more than \$4 million of foreign capital. The Dongxiang Cannery signed an agreement with Spain to build a canned food production line by using a loan of more than \$3 million. In addition, the Jian County Down Plant and the No 3 Nanchang Garment Plant have separately joined Hong Kong firms in investing in the operation of the Ganli and the Haiqiang Garment Companies Ltd; Fengxin and a Hong Kong firm have jointly invested in running the Xinshen Toy Company Ltd; and Nanchang County and Singapore have jointly invested in running the Jiangxi Hongbao Bamboo and Wood Company Ltd. These large projects were signed and started operation after the outbreak of turmoil.

At present foreign-funded enterprises in all localities throughout Jiangxi find themselves in a wholesome situation in production and management. The Nanchang City Huajian Plastics Company Ltd, which has a total investment of \$1.5 million, went into operation on 20 May this year, and production has proceeded smoothly since then. Now the company has begun to repay its debts. The downward trend in the exports of the three types of wholly and partially foreign-owned enterprises resulting from the turmoil has begun to revert. July saw a fairly big increase in exports. In that month, the Xinhua Metallic Products Company Ltd exported more than 150 metric tons of cemented reinforcing bars. Another 160 metric tons await exportation.

## ECONOMIC ZONES

### Analysis of Shenzhen Land Use, Leasing System

*HK2507002189 Beijing LIAOWANG [OUTLOOK]  
in Chinese No 27, 3 Jul 89 pp 18-20*

[Article by Yang Chunnan 2799 2504 0589 and Huang Youzhi 7806 0645 0037: "Enlightenment From the Reform of the Land System in Shenzhen"]

[Text] Since the first auction of land in Shenzhen to date, Shenzhen City has sold seven pieces of land in the form of auctions and tenders with a total area of 95,000 square meters. The value of transactions reached 79.31 million yuan, or \$9.78 million. This major reform involving the land system in the special economic zone of Shenzhen has aroused a high degree of concern at home and abroad. Some newspapers in the United States and Hong Kong have been quick to make comments, claiming: "This is a major breakthrough in China's land control system in regard to theory and practice!" "It has raised the curtain on China's using state-owned land at a price." "It is an indication that China's use of land has begun to enter the orbit of a market economy."

### Is There Value in Land?

Even today, under the socialist system of public ownership, is there value in land? Whether land can be treated as a commodity is still a point of endless debate. Several years ago, or 10 years ago, it was especially a "taboo" theory. People worried that the commercialization of land would lead to the loss of state ownership of land and give rise to the system of private ownership of land and capitalism. They worried about individuals reselling land for profit or speculating in land. They worried that the introduction of the system of using land at a price would only make commercialization impossible and thus the retrieval of funds impossible.

The people of Shenzhen turn to practice for an answer. When the Shenzhen Special Economic Zone was first organized, to raise money, Shenzhen adopted the imposition of fees for the use of land—allocating whole parcels of land to real estate development companies to allow separate construction and operation. On the other hand, land was turned at a given price into shares in cooperative joint ventures with foreign businessmen. Or, land was provided at a price to allow the running of independent foreign operations. These were the precursors of the use of our land at a price, playing an important role in the formation of modernized cities in the special zone and the perfection of the investment environment. But Shenzhen residents' idea of the value of land has been derived more often from the phenomena of large "buying and selling" land transactions and "buying and selling in disguised form." "With land, a person gets rich." "He who has land is rich." Such words have circulated in the community with the birth of the special zone. People have almost, at the same time,

discovered the tremendous economic value vested in land by the superior geographic position of Shenzhen and the policy of special treatment granted by the state. "The more land the better." There has been the persistent problem of "occupying more land than is used" and "occupying land without using it." Meanwhile, through such forms as translating land at a price into company shares, housing transactions, or private buying and selling, large amounts of land have actually entered the area of circulation. Many units have become "millionaires" or "multimillionaires" overnight, thanks to a plot of land granted by the government. For example, for the transfer of two plots of unused land to two separate companies, a building materials industry group received \$4.2 million yuan in the form of compensation funds and invested development funds!

The residents of Shenzhen have realized from practice that the economic attribute of land cannot be denied. The value of land is a fact of economic life. Liu Jiasheng, deputy head of the Shenzhen City National Land Bureau, said to reporters: "Virgin land not subject to environmental transformation and not fit for inhabitation has no value. But once invested in by mankind and subjected to processing and transformation with human labor, it has value, giving rise to the act of exchange and naturally forming into a commodity dictated by the laws of the commodity economy."

#### **From Administrative Allocation to the Market Mechanism**

But can land be commercialized? When the decision-makers of Shenzhen, in a review of the previously traversed path of using land at a price, went on to envision a reform in commercializing land, they found themselves again disturbed by reality.

Until the end of 1987, the Shenzhen City government allocated a total of 82 square km of land. Use fees were collected only for 17 square km of land, representing 21 percent. The fees amounted to only 38 million yuan, less than 1.5 percent of revenue in the corresponding period. On the other hand, the government of neighboring Hong Kong in the past 3 years has realized proceeds from land sales amounting to 30.242 billion yuan, 24.4 percent of the Hong Kong Government's revenue in the same period.

During the relevant period, the city government spent 1.35 billion yuan on land development and basic facilities. Of the amount, 670 million yuan was obtained through bank loans at an annual interest cost of more than 50 million yuan. Since Shenzhen introduced the use of land at a price, fees collected for the use of land in 6 years have proved to be inadequate to cover 1 year's interest payment. The result is that the government is caught in a vicious cycle of going into debt to build basic facilities. The greater the land development in the special zone the heavier the burden on the government.

Is land worthless? No. Real estate values in Shenzhen have kept rising, so much so that outside investors no

longer consider Shenzhen land prices low. This has run counter to the government's original idea in building the special zone. What is the reason? The proliferation of development companies handling of land and housing has provided people with an answer.

According to an investigation, real estate development companies generally reap a profit of more than 40 percent by devoting land to building commercial housing. Even given a profit margin of 20 percent, the development companies' profit per square meter reaches 150-400 yuan. These profits are realized because enterprises have obtained land without paying anything in return or at low prices. People have made this calculation—given a price of 150 yuan for each square meter of land handed out (even a higher price in an auction), it means 7.5 billion yuan pocketed by companies, units of various kinds, and peasants during the period in which fees for the use of land were collected!

Obviously, it is a major breakthrough from the free allocation of land to the use of land at a price. But administrative allocation and abnormal land use fees have still not escaped the confines of a highly concentrated old system. Not only is there no adequate guarantee for state ownership of land economically but the factor of people's unrestrained freedom in appropriating land and other unhealthy practices are not ruled out. From this, people draw the conclusion that as long as land is not put in circulation and on the market as a real commodity, reform of the land system can hardly bring expected results. There is no way to meet the needs of the development of the commodity economy.

Then how should we create a land market? The people of Shenzhen have set their sights on the outside world. The model of the British Commonwealth represented by Britain, and especially the land system in Hong Kong, separated from Shenzhen by one stream, provide people with enlightenment. The land of Hong Kong has all along been owned by the British Hong Kong Government. Popular land buying and selling in a society of private ownership is ruled out. Land is leased with a time limit. There is no right to buy and sell land. But, given the transfer of the land use right at a price as a prerequisite, the land market can still find full development. A rock from another mountain can have the effect of penetrating jade, a Chinese saying goes. On 1 July 1987, on the basis of experience borrowed from Hong Kong, the Shenzhen City Government put forward the land reform program of separating ownership of land and the right of use. The right to use land was clearly specified as a commodity, with transfer, lease, and buying and selling of the land use right allowed.

On 29 December the same year, the Guangdong Provincial People's Congress approved the Land Control Regulations of Shenzhen Special Economic Zone, affirming in legal form the value value of the land of Shenzhen Special Economic Zone and providing legal protection for auctioning off, transferring and mortgaging the right to use land. Thereafter, Shenzhen's real estate market

switched from "underground" to "openness," and from the simple act of approving land leases and collecting land use fees to actual involvement in the area of circulation through the market mechanism as a new special commodity.

### **The Awakening of the Mother of Wealth**

In September 1987, the Shenzhen City government transferred in the form of an agreement the right to use a piece of "official land" at a price of 1.06 million yuan to the China Space Industry Trading Center of Shenzhen.

In May 1988, the Shenzhen City government openly sold at auction 4,641 square meters of land for commercial office space and 9,834 square meters of land for residential housing. They were bought by two development companies at 19 million yuan and 17.72 million yuan, respectively; the average land price per square meter was 4,050 yuan, or 1,749 yuan.

On 18 November 1988, the Shenzhen Wanke Industrial Limited Company bid 20 million yuan to win the right to use a piece of residential housing land for 50 years from the Shenzhen government. The average price per square meter was 4,715 yuan.

What surprised people is that in the 1 year or so from September 1987 to 1988, the land prices realized through transfer in various forms of compensation by Shenzhen from 44 pieces of land with a total area of 440,000 square meters reached as much as 168 million yuan, or \$9.78 million, greatly exceeding the total obtained in the preceding 6 years from land use fees.

But this just involved the land rent from land leases granted at one time. As a perfect land market system, it covers a market at three levels. The first-level market involves the state's handing over the right of use to enterprises or individuals through an agreement, an auction, or a tender invitation. The second-level market involves enterprises or individuals awarded the right of land use transferring developed land with housing built on it to other enterprises or individuals. The third-level market involves enterprises or individuals further transferring to others the right of land use obtained through transfer. The existence of the second-level and third-level markets provides a condition for a thriving real estate industry. At the same time, it provides conditions for the rational circulation and redeployment of urban land. In addition, the state is provided an endless flow of income from land through land transfer and other taxes. Statistics from a relevant department show that Shenzhen's annual income from land in the future will exceed 100 million yuan! Shenzhen City will lead the way in breaking away from the problem of inadequate investment funds for basic facilities that has long disturbed our cities and enter a benign cycle of input and output based on "land living off land."

But the commercialization of land brings Shenzhen more benefits than these. Procurement of land through the

market will do away with the old capital construction system calling for "first deciding on projects and then granting land." Enterprises and land users are enabled to regulate supply and demand on their own. The elements of production are thus rationally deployed to meet seasonal and local needs, paving the way for enterprise amalgamation, the circulation of property rights, and the readjustment of the industrial mix. Given the sale of land by auction or by tender, a domestic or overseas enterprise can participate. This provides fair competition for enterprises and helps in overcoming such defects as officials acting on their own in allocating land, following unhealthy practices, and so forth.

### **The Commercialization of Land Calls for Linking Reforms**

Last 12 November, Shenzhen City held its third land auction. The relevant quarters had called on those companies making bids not to freely bid up the price. But the final successful bid was still nine times the set price. This was 7-odd times more than the price of the first plot of land for the same purpose obtained at the first auction. People worry that the sharp rise in land prices will have an adverse effect on the residential housing system and bring about a rise in the costs of enterprise investment, thus touching off a chain reaction.

Some experts consider that with the development of cities in the special zone land values would naturally go up. But such a steep rise in land prices at present is by no means normal. It is instead affected by distorted market factors. According to an analysis by some experts, due to the relations of enterprises' property rights having fallen behind, many enterprises bidding on land have, to different degrees, developed the mentality of "capital coming from Dad, with no need to worry about paying a high price." They have no worry about the worth of an investment project, just getting hold of the required land. Therefore, in line with the commercialization of land, enterprises must be entirely independent operators responsible for their own profits and losses. There must even be a market established for enterprise rights of property. This poses a problem of linking reforms, as far as the enterprise system is concerned.

In fact, as part of such social system-related work as the reform of the urban economic system, a new thing like the transfer of the use of state-owned land at a price will have a smashing impact on old systems and old rules and regulations in planning, capital construction, financial, industrial, commercial, and other departments. A series of problems that must be urgently solved is raised:

—A gap between housing and land. Trading in housing is, at the same time, accompanied by the transfer of the use of land. In turn, the right to use urban land is transferred for almost no other purpose than the building of housing. The two are linked as fur is to the pelt. "How can there be fur, with the pelt gone?" This calls for unified management of the housing market and the land market. But things in Shenzhen at present are such that



the housing market is controlled by the housing department and the land market is controlled by the national land department.

—A clash between “planning” and “the market.” Based on the old capital construction process, we must first enter a construction project with the planning department and then ask for the approval of land use. Given the transfer of the right to use land by inviting tenders or holding auctions, who will win the right of land use in a competition is an unknown quantity beforehand. Therefore, the original process of “first entering a construction project and then obtaining land” must be reversed. But a planning department has its own view as to what kind of project can be arranged. As a result, after an enterprise gets a piece of land, it also often happens that it cannot immediately fix a project.

—A needed program “falling behind.” As long as one item is missing in a detailed program about concretely specified items like construction density, building capacity and height, arrangements for public construction, completion of basic facilities, and so forth, there is no way for a development enterprise to figure out how much to bid for a piece of land on the basis of anticipated investment profits. Therefore, based first on the demands of a long-term plan for urban development, the planning department must work out detailed plans for separate small zones on the basis of the overall program, providing accurate economic data for enterprises. These kinds of work at present still fall far short of the demand.

—Banks’ failure to accept land as security. The right of land use is obtained by the user at a price. In itself, it represents a certain amount of money. It is actually a kind of property. Because our land is owned by the state, land has for a long period of time not been allowed to be used as security for a loan. As far as many enterprises and land development companies are concerned, they often do not have much working capital left after spending a large amount of money to win the right of land use. There is the need to turn to a bank for loans to cover operation and construction expenses.

At present, the contradictions and problems involved between relevant departments in carrying out the reform of the land control system in Shenzhen can mostly be solved by relying on human coordination. The reform and the marketization of the land system in Shenzhen on an overall basis will depend on appropriately linked reforms in relevant areas, plus establishment of necessary systems and laws. Otherwise, the establishment and full development of the land market will naturally suffer.

#### Upswing in Electronics Forecast in Shenzhen

40060707F East Berlin RADIO FERNSEHEN  
ELEKTRONIK No 6, 1989 p 340

[Text] An aspect of the new economic policy of the PRC calls for creating favorable [economic] regulations and preconditions for promoting foreign and jointly managed enterprises in special economic zones (up to now,

four have gone into operation in the PRC). By employing this expedient along with an innovative thrust in terms of products and technology, the Chinese domestic electronics industry should be able to register some progress.

One such special economic zone is the city of Shenzhen, located in the vicinity of Hong Kong. Over the last 10 years, the city’s population has burgeoned, going from 1,000 to 700,000. In 1988, this region furnished nearly a quarter (\$202 million) of the PRC’s electronics exports. Nearly a million color television sets and 7.5 million cassette recorders were exported.

The electronics industry in Shenzhen is strongly dependent upon Hong Kong, which at once figures as a supplier of components and raw materials as well as a principal consumer of the finished products. Moreover, using its own or foreign firms, the region manufactures for the Chinese domestic market as well. For example, a Philips subsidiary manufactures video disc players for the Shenzhen Electronics Group (SEG). With nearly 153 companies and 20,000 employees, it has its sights set upon reaching a level of prominence over the next 10 years, exceeding that of Taiwan. Another firm (Ling Wah Electronics Co.) alone has 30 assembly lines running concurrently. The manufacture of video recorders [in this region] is envisioned for the future. This will involve not only assembly but even attempts at technology transfer. The manufacture of video cassettes was slated for the middle of 1989 so that, then, the entire spectrum of the newest household electronic devices would be manufactured in the Shenzhen region.

## LABOR

### Optimizing Unemployment in Urban Areas

HK0208110789 Beijing JINGJI GUANLI in Chinese  
No 5, 1989 pp 12-14, 34

[Article by Wang Haibo 3076 3189 3134, edited by responsible editor Lin Daojun 2651 6670 0689: “The Question of Unemployment in Cities and Townships”]

[Text] According to traditional economic theories, unemployment is a chronic malady of capitalism, and the elimination of unemployment is a manifestation of the superiority of the socialist system. However, this does not conform to the practice of the socialist commodity economy. Under the conditions of a socialist commodity economy, enterprises are commodity producers, and labor is sold and bought as a commodity. Therefore, the bidirectional selection between enterprises and laborers themselves becomes an objective economic process. The result of competition among enterprises helps some develop while eliminating others. This inevitably leads to a flow of labor force among enterprises. Any change in the composition of industry caused by technological advancement will also bring about the same flow among departments. As China is at the initial stage of socialism, the level of its productive force is low and, to a very large extent, its technological



advancement is closely related to its development of mechanization. It will therefore bring about the situation in which the volume growth of productive force will be greater than that of the means of production. This thus makes unemployment an unavoidable phenomenon in society. Under the conditions of a socialist commodity economy, unemployment is not only inevitable but also necessary. It plays an important role in consolidating and strengthening socialist labor discipline, in readjusting the labor supply and demand to meet needs in the wake of chronic economic fluctuations and changes in the composition of industry, in coordinating relations between the demand for purchasing power among workers and the available amount of consumer goods and services, in improving economic results, and in restoring and developing the fine Chinese tradition of working hard and bravely. These are the major aspects of it. There are, of course, disadvantages, which are mainly difficulties encountered by the unemployed in their daily lives, intensification of social contradictions, and its impact on social stability. As unemployment brings both advantages and disadvantages, the focus will naturally be on the determination to limit the unemployment rate. Otherwise, the advantages of unemployment will be undermined and its disadvantages cannot be put under proper control.

Under the conditions of a socialist commodity economy, the determination of a rational limit on the unemployment rate is an important task of socialist countries in their macroeconomic control. This is because this is an issue with a bearing on the balanced and effective development of the national economy, and one closely related to social stability. Therefore, it also involves a social environmental issue of whether the economy can develop steadily. Therefore, we must attach great importance to the issue. In fact, economically developed capitalist countries also take determination of the unemployment rate as an important part of their

macroeconomic control. For instance, after World War II, Japan adopted this approach in many of its medium- and long-term plans. The 7-Year Plan for the New Economic Society (1979-85) of Japan clearly stipulated: "We must reduce the total unemployment rate from 2.2 percent in 1978 to about 1.7 percent in 1985."<sup>1</sup> As capitalist countries act in this way, socialist countries should have better reason to adopt this approach.

To rationally determine a limit on the unemployment rate is a very difficult issue. This is because, first, it can be said that it is an entirely new issue for a country like China, which now lives in a transitional period from a traditional economic system to a new one, to rationally determine a limit on the unemployment rate. This is because, in accordance with the requirements of a traditional economic system, unemployment should have been completely eliminated. In principle, therefore, the issue of determining a limit on the unemployment rate simply does not exist. However, the new economic system requires us to confirm the inevitability and necessity of the existence of unemployment. Thus, the issue of determining a limit on the unemployment rate emerges. Second, the issue itself is a very complicated one. Various factors that determine the above inevitability and necessity of the existence of unemployment, the extent of unemployment that the state, enterprises, and laborers can bear, and so forth, are necessary conditions to which we give consideration when determining a limit on the unemployment rate. The strength of these conditions and their functions are different in different countries, or are different in the same country during different development periods or at different development stages in an economic cycle. It is necessary for us to appropriately draw lessons from economically developed countries in this respect.

#### Unemployment Rate of Contemporary Major Capitalist Countries

Unit: Percent

Year	United States	Japan	FRG	UK	France
1955	4.4	1.6	5.1	1.1	—
1960	5.6	1.0	1.2	1.7	—
1965	4.5	0.8	0.6	1.5	—
1970	4.9	1.2	0.7	2.6	—
1975	8.5	1.9	4.7	4.1	4.1
1980	7.1	2.0	3.8	7.4	6.3
1981	7.6	2.2	5.5	11.3	7.3
1982	9.7	2.4	7.7	13.1	8.0

Note: *International Economic and Social Statistic Data (1950-82)* by Chinese Finance and Economics Publishing House, 1985 edition p 445.

The experience of the economically developed countries gives us the following indications: The unemployment rate is different in various countries that adopt the same system, as is the rate of a country in

different periods. Our task is to proceed from the specific characteristics of China's situation in different periods and to rationally determine a limit on China's unemployment rate.

Although the work of determining a limit is an arduous task, it is possible and we must, in principle, determine the respective upper and lower limits on the unemployment rate in accordance with the requirements of a socialist commodity economy, and how much the state, enterprises, and laborers can bear.

However, by simply judging from China's present unemployment rate in cities and townships, it is not the determination of the lower limit of unemployment that is a real problem. Rather, it is the determination of the upper limit. The reason is very obvious: China has a large population base, a high birth rate and rapid growth in labor force. In particular, the concealed population of unemployed in rural areas is very large, and these areas continue to expel a large amount of surplus labor in the wake of modernization of agriculture. This thus puts restrictions on choices available to us.

Of course, it is not an easy task to achieve this point. Nevertheless, it is possible that we may still achieve it by determining the upper limit of unemployment rate in accordance with China's past experience.

#### China's Unemployed Population and Unemployment Rate in Cities and Townships

Year	Unemployed Population (1,000)	Unemployment Rate (Percentage)
1949	4,742	23.6
1952	3,766	13.2
1957	2,409	5.9
1978	1,300	5.3
1981	4,975	3.8
1985	2,385	1.8
1986	2,644	2.0
1987	2,766	2.0

Note: *Statistic Data on Wages of China's Laborers (1949-85)* by China Statistics Publishing House, 1987 edition, p 109; *China's Statistics Yearbook (1987)*, by China Statistics Publishing House, p 128; *Excerpts of China's Statistics (1988)* by China Statistics Publishing House, p 20.

We can see from the above table that if we do not take into consideration the high unemployment rate (this was left over from the old China, and it was not the normal situation of the New China) during the period of restoration of the national economy (1949-52), China's unemployment rate in cities and townships varied between 5.9 and 10.8 percent during the First 5-year Plan period (1953-57); and the rate varied between 3.8 and 5.9 percent in the first few years following commencement of our socialist construction period (1978-81). Our society was stable during the above periods. On the basis of our experience in these periods, we may determine the upper limit of China's unemployment rate in cities and townships to be 4 to 6 percent, a level our society can bear. Honestly, in the period from 1981 to 1987, the

unemployment rate in cities and townships varied between 1.8 and 3.8 percent. A condition for this is the existence of a concealed large population of unemployed. Therefore, the rate cannot be taken as the basis for our determination of the upper limit of the unemployment rate in cities and townships. If we also take into consideration the sharply improved living standards of China's people, the pace of improving people's livelihood is so quick that individual laborers can, to a larger extent, bear unemployment at a certain period. Moreover, as each laborer now earns a living for fewer dependents, the extensive aspect of unemployment influence on family members is sharply reduced. In the wake of in-depth development of reform of the economic system, as well as the development of socialist modernizations, it is possible that China may gradually build a rather perfect socialist security system, and so on. This means that we have better reasons to argue that our society can, to a larger extent, bear an upper limit of the unemployment rate at 4 to 6 percent.

Nevertheless, how much society can bear is simply one of the aspects on which our upper limit of unemployment rate is based. We must also take into consideration whether or not we can control the upper limit of the unemployment rate within the range of 4 to 6 percent. It should be said that it is possible that we can make it. There are several factors affecting this: First, though China's has a large hidden population of unemployed in cities and townships, it faces a serious shortage of workers. According to the statistics of departments in charge of labor and personnel affairs, China's present hidden population of unemployed was no less than 20 million. There were also some people who estimated that this population had already reached 25 million to 30 million.<sup>2</sup> Moreover, according to estimates by relevant experts, there were at least 35 million vacancies in cities because the urban population did not want to take them. Though 15 million vacancies had been assumed by newly arrived peasants in these cities, about 20 million posts were still left vacant.<sup>3</sup> Second, following the 3d Plenary Session of the 11th CPC Central Committee, there has been preliminary development in all socialist economic sectors other than the state-owned economy (including the socialist collective economy, individual economy, private capitalist economy, enterprises using foreign investment, and so on) as well as in the tertiary industry. There is plenty of room for future development and bright prospects for employment. Third, in the wake of in-depth development of reform of the economic system, as well as the development of socialist modernizations, we may greatly improve economic results, and lay a good material base for employment.

We need to create a number of conditions in order to raise China's unemployment rate in cities and townships from 2 percent in 1987 to 4 to 6 percent. They are mainly: To carry out an extensive and intensive campaign to change people's concept and to improve their capability to bear the psychological effects of unemployment, and to preliminarily introduce an unemployment

insurance for society, thereby guaranteeing the minimum living needs of the unemployed and maintaining stability of society.

We need to raise the unemployment rate in a steady and systematic manner. However, this does not mean that we may take a negative attitude toward reform in this respect after conditions are mature. Instead, we must actively create conditions and make the best use of every opportunity. We must realize that popularization of reform of the labor system, as well as pertinent policies concerning unemployment in society, is different from that of price reform, as well as inflation which may arise therefrom. Inflation goes against the basic interests of people and is irrational. Therefore, we must take a very cautious attitude toward price reform. It will totally be wrong if we recklessly carry out price reform when the aggregate demand of society is greater than that of supply. However, having unemployment in society within a sensible extent conforms to the basic interests of people and is reasonable. Therefore, if we are overcautious when reforming the labor system and carrying out policies concerning unemployment in society, we shall miss the most opportune moment. Not only will this drag our reform of the labor system, but will also be unfavorable to our reform of the national economy as a whole, and to the socialist modernizations. This is an unwise move and should be criticized.

#### Footnotes

1. *Japan's Economic Plans*, Bureau for Comprehensive Planning of the Ministry of Economic Planning, Japanese edition, p 28.
2. RENMIN RIBAO, 13 Jun 1988 p 1.
3. JINGJI RIBAO, 7 Sep 1988 p 2.

## AGRICULTURE

### Changes in Grain Policies, Flow System, 1979-1984

#### Stabilizing Grain Aituation

40060636g *Beijing Dangdai Zhongguo De Liangshi Gongzuo* [China Today: Food Grain] in Chinese 1988 pp 33-66

[Chapter 2: "Stabilizing the Grain Situation To Accelerate the Rehabilitation of the National Economy (1949-1952)" from the book *Dangdai Zhongguo De Liangshi Gongzuo*; Deng Liqun, Ma Hong, Wu Heng, chief editors]

[Text] The solemn proclamation of the founding of the People's Republic of China on 1 October 1949 marked the entry of the Chinese revolution into a new historical era of change from new democracy to socialism. The victorious advance of the revolution and the establishment of state power in the people's democratic dictatorship lay a solid political foundation for solution to China's grain problem. Nevertheless, grain production, which had been devastated for a long time by warfare

and Kuomintang rule, could not be revived and developed overnight. Neither could the aftermath of the pernicious inflation that had gone on for more than 10 years in the old China be immediately eradicated. Consequently, during the period immediately following founding of the New China, the newly born people's state faced a serious situation in which food was in extremely short supply, and market prices of grain fluctuated violently.

Faced with a grim food situation, The CPC and the people's government led the people of the whole country in taking positive actions to revive and develop grain production, at the same time strengthening the building of national grain agencies and forces. They engaged in repeated trials of strength with bourgeois grain market speculators in accordance with an overall strategic plan for state financial and economic work, winning one victory after another. Thanks to the implementation of the important decision to centralize state fiscal and economic work, within half a year the extremely serious grain situation was basically stabilized by March 1950. Thereafter, as the national financial and economic situation steadily improved, the grain situation gradually improved as well; the leading position of state-owned grain businesses was steadily consolidated and strengthened, and the grain situation steadily stabilized.

Victory on the grain front during the period of national economic revival played an important role in stabilizing market prices, in calming the people's daily life, in assisting the anti-America aid to Korea war and various social reforms, and in advancing the revival and development of industrial and agricultural production and various other construction endeavors.

### Section I. Stabilizing Grain Markets To Halt the Fluctuation of Prices

#### A. Serious Difficulties About the Grain Issue

During the period immediately following founding of the New China, conflicts between grain output and grain need, and between supply and demand were extremely sharp. Bourgeois opportunists capitalized on this situation to cause repeated violent fluctuations in market grain prices, which seriously threatened the people's livelihood, and further intensified the state's financial and economic difficulties. During 1949, grain output nationwide declined dramatically; however, the amount of grain needed steadily increased. First of all, as victory in the war of liberation unfolded, the number of military and government personnel requiring grain supply from the state became increasingly great. Second, there were more than 40 million disaster victims nationwide, approximately 7 million of whom were victims of serious disasters in greatest need of relief. In addition, some large cities that had formerly relied partially on imported grain had to be supplied entirely from domestic supplies inasmuch as the enemy blockaded the seaports cutting off imported grain. This sharpened the conflict between supply and demand for grain.

At that time, multiple economic components existed at the same time in grain markets, capitalist grain businesses practicing free trade holding a very dominant position. Most parts of the country had been liberated only recently, and state-owned grain businesses had not had time to get set up everywhere. Network outlet points and personnel were very few in number, and there was not very much grain to buy in markets. The sources of supply that the state controlled depended mostly on rural collection of agricultural taxes in grain. In 1949, the job of collecting grain had to be done under extremely difficult circumstances in many newly liberated areas. In some places, local bandits and counterrevolutionaries committed sabotage openly or secretly, killing personnel engaged in grain collection work. Incomplete statistics show more than 3,000 cadres were sacrificed in the collection of tax grain. In addition, many shortcomings showed up when the work first began. In many places, collected grain could not be moved into warehouses promptly. At that time, it was also very difficult to move grain between one region and another to even out surpluses and shortages. Inasmuch as individual liberated areas had been cut off for a long time during wartime, and had fashioned their own decentralized methods for controlling financial and economic work, which was difficult to change for a time, since some areas restricted outside deliveries of grain, and since transportation was difficult as well, surplus grain in very many areas could not be moved promptly to grain short areas. In some large cities, grain in storage was particularly scant. The grain that the people's government took over at the time it liberated the country's largest city, Shanghai, was sufficient to meet the city's needs for only one-half month. Although some grain was otherwise available in society at that time, an overwhelming majority of it was not in the hands of the working people. Consequently, the grain shortage became worse.

In a situation of national financial and economic difficulties, and a shortage of grain and other goods, bourgeois speculators seized the opportunity to fan the flames of disorder, hoarding and cornering markets, and jacking up prices. During a period of less than 1 year from April 1949 to February 1950, four major price fluctuations occurred, the price of grain always taking the lead. This led to a general rise in the prices of other things. As a result, the entire market was in a constant state of violent turmoil, which seriously harmed the livelihood of the people throughout the nation, as well as the revival and development of social production. Statistics show that in March 1950 the overall grain wholesale price index in Beijing was more than 70 times again higher than in February 1949. On 30 May 1949, the market transaction price of rice was 4,200 yuan per dan in Shanghai. By 27 February 1950, it rose to 280,000 yuan, a more than 60-fold increase.

Imperialists and the Kuomintang government rejoiced in China's financial and economic difficulties, particularly its grain problem. They predicted that the New China government would not be able to solve the people's "food problem." In order to increase New China's

difficulties, they intensified their economic blockade, increased their famine propaganda, and tried to turn China's disaster situation into destructive activities. In addition, some armed bandits in Shanghai looted grain delivered to China from abroad.

Fed up with the misery of daily rises in food prices before liberation, the masses of the people urgently hoped that the people's government would quickly stabilize market prices to calm the people's daily lives. After seeing several violent fluctuations in market prices in the period immediately following liberation, some people felt apprehensive, and some even doubted whether the people's government would be able to stabilize prices. The attacks of bourgeois speculators, the economic blockade of the imperialists, and the sabotage of the Kuomintang, as well as the urgent desire and various doubts of the broad masses of the people about stabilizing market grain prices intensified the seriousness of the difficulties and the acuteness of problems. Ability to overcome difficulties and stabilize the grain situation quickly not only had a bearing on the livelihood of the people throughout the country and on the revival and development of production, but also had a bearing on the consolidation of the people's regime.

#### **B. Cracking Down on Speculation To Halt the Rise of Grain Prices**

Faced with a grim grain situation, the CPC and the people's government both organized the revival and development of grain production, and decided to reverse the tumultuous market situation as quickly as possible, stabilizing grain prices.

Stabilization of markets and stabilization of prices were important policies that the CPC Central Committee decided at that time. Stabilization of the prices of goods of primary importance such as grain and cotton cloth was the key to stabilizing market prices and calming the people's daily lives. Proceeding from realities as they existed at that time, the work of stabilizing market prices proceeded in two steps. The first step was to control price rises first. The main goal was to clamp down on speculation capital, seize control over markets, and prevent large rises and falls in grain prices in order to avoid seriously affecting production and the people's livelihood. The main method used to do this was the application of state power to get control over sufficient principal goods such as grain and cotton cloth. The second step was to eradicate root and branch the reasons occasioning price rises. Important goals were to balance government financial receipts and expenditures, halt inflation, and basically stabilize prices. The main method used to do this was to centralize government financial and economic work nationwide, and to concentrate financial and material resources to avoid dispersal and waste.

In order to get control of sufficient grain to crack down on speculators and control grain price rises, all jurisdictions acted in accordance with the centralized plans of

the CPC Central Committee and the State Council, first strengthening their tax grain collection work. Diligent overcoming of past shortcomings in collection work struck a blow against the disruptive activities of counterrevolutionaries, thereby enabling a gradual expansion of grain tax collection work. In 1949, areas having a population of 160 million were already engaged in land reform, and newly liberated areas carrying out land reform also instituted a policy of rent and interest reduction. The broad masses of peasants who had stood up came forward with extremely great patriotic enthusiasm to pay their grain taxes, and CPC members and Youth League members in rural villages everywhere played a model leading role. Peasants in old liberated areas who supported the glorious tradition of revolutionary warfare continued to make new contributions. Northeast China, Inner Mongolia, and north China all fulfilled or overfulfilled rather quickly their grain delivery quotas in support of newly liberated areas. In newly liberated areas, numerous moving deeds likewise occurred. In many places, the peasants turned out in droves, beating gongs and pounding drums to deliver grain to warehouses. One old woman in Puqian Village, Tiantai County, Zhejiang Province told the country magistrate: "When we used to deliver grain to the Kuomintang, we cried. Now when we provide grain in thanks for being able to stand up and for having won victory, we do so while dancing the yangge." In southern Jiangsu, some peasants assembled scores, or as many as 100 boats to send grain to warehouses.

State-owned grain companies everywhere also actively carried out procurement work in markets. In northeast China, which had been liberated somewhat earlier and where grain output was more plentiful, procurement of new grain began ahead of schedule on 1 October 1949. Not only did the state ready sufficient money, but it also promptly readjusted grain and cotton cloth parity prices. It also allocated large quantities of piece goods to commercial departments, which were delivered directly to areas where grain was being purchased to be exchanged for grain with the peasants. Since grain prices were raised and cloth prices lowered, a peasant in Harbin could get 15 zhang more white cotton cloth than in 1948 from the sale of 1 ton of sorghum. Real income increased very greatly, and enthusiasm for selling grain also increased greatly. In northeast China, state-owned grain station October purchases of grain overfulfilled original plan by 50 percent. The state-owned grain companies so recently set up in many newly liberated areas also got hold of a certain amount of commodity grain through organizing procurement themselves, and by relying on cooperatives, or by commissioning private merchants to make purchases on their behalf.

In a situation in which transportation was very difficult to find, by doing better scheduling the state was able to concentrate tax grain and purchased grain in large cities. Once it had prepared a rather ample material basis to control grain prices, it took two kinds of action in repeated contests with speculators. It bolstered market

control, energetically selling large quantities of grain to control wholesale markets first, and it also organized direct supply to cut down on middleman extortion in a gradual expansion of strength over retail sales.

During two price fluctuations in April and August 1949 before the founding of New China, jurisdictions acted to strengthen grain market control. They did things such as centralizing transactions, strictly forbidding transactions outside of designated places. They also set transaction hours, same day cash settlements and the establishment of a transaction registering system, licensing of grain and food firms to buy grain, inspection of grain merchants' warehouses, mobilization for the sale of grain in storage, stamping out profiteering, and crackdowns against law-breakers, etc. In addition, they sold off large amounts of grain at propitious times. These actions played a definite role in stabilizing markets and in holding down grain prices. Nevertheless, some problems occurred at the outset because of a lack of experience. For example, some of the grain that was sold off was illegally bought up by private merchants and resold at high prices. Following the founding of New China, when the third great price fluctuation occurred in November 1949, thanks to the experience gained in the two previous struggles, the CPC Central Committee and the people's government analyzed markets nationwide in a total way. Were grain to be sold off at a fixed price in different areas, not only would control of the grain situation be difficult, but opportunistic merchants might benefit greatly. Consequently, they decided to change their tactics. They would temporarily halt large quantity sales at parity prices, and allow the parity price to fluctuate with the market for a certain amount of time in order to preserve their strength. Then, at a propitious time (when the market price rose until it stabilized), they would simultaneously sell off large amounts of major goods in a concentrated way everywhere throughout the country in an attack on speculators to stabilize market prices.

Chen Yun, a deputy premier of the Central People's Government State Council at that time, and chairman of the Finance and Economic Committee of the State Council of the Central People's Government (hereinafter called the Central Finance Committee) personally planned and directed the decisive battle between the socialist state-owned economy and bourgeois opportunists to win control of markets during the period immediately following the founding of the people's republic. On 13 November 1949, the Central Finance Committee issued "Instructions on the Policy to be Adopted Against Sudden Price Increases Nationwide," which Chen Yun had personally drafted. This instruction contained four measures. It required all trading companies to "assemble major goods from everywhere at important points, making an effort to finish the job by 25 November (or 30 November at the latest), and get ready to sell them off at the same time in every major city throughout the country at the end of November and in early December. In order to assemble grain needed to support Beijing, Tianjin, and cotton growing areas, it was decided to ship between

10 and 12 million jin of grain daily between 13 and 15 November from northeast China to south of the Great Wall. Between 16 and 30 November, the Ministry of Finance allocated 210 million jin of tax grain to trade departments north of the Dezhou-Shijiazhuang railroad and in Pingyuan Province.

On 15 and 16 November, when market grain prices in Beijing and Tianjin fell following a rise, Chen Yun estimated that prices throughout the country might stabilize by 25 November. Nevertheless, to be on the safe side, he sent a telegram in his own name, and in the name of Central Finance Committee Deputy Chairman Bo Yibo, to finance committees in all major areas calling upon them to "go all out to prepare goods and materials in accordance with the 13 November telegram, sparing no effort."

The 6th State Council Political Conference held on 18 November heard Chen Yun's report on price problems. Premier Zhou Enlai spoke at the meeting, and when talking about price fluctuations, he said, "This is a difficulty in the process of victory that differs fundamentally from the irredeemable destructive economic crisis under the Kuomintang regime." Premier Zhou analyzed the reasons for the current sharp price rises, and made some important points pertaining to the revival of production, broadening sources of income and reducing expenditures, as well as how to apply monetary and price policies correctly.

On 20 November, the Central Finance Committee issued "Instructions on Specific Actions To Be Taken to Stabilize Prices Beginning on 25 November." This instruction represented a decision to move forward the stabilization of prices. It called upon all jurisdictions to act in concert on 25 November, and it laid additional concrete plans regarding supplies of grain and cotton cloth in all large cities. It required that simultaneous with all jurisdictions taking action with regard to tax collections, credit, and control of funds, beginning on 20 November trade companies should gradually raise parity prices to bring them up to black market prices by 24 November. Then, beginning on the 25 November, they should sell off large amounts of goods and materials at the same time, then sell off prices declining with market prices day after day.

After all jurisdictions carried out the Central Finance Committee's instructions, marked results were obtained at once. On the 26th, prices began to fall again, and once they let loose they continued to let loose. Suddenly stricken in this way, profiteering capitalists did not know what to do. They waited endlessly. When price fluctuations were at their peak, they believed that the renminbi would slide precipitously just as the gold yuan had under the Kuomintang regime, and that price rises would certainly outstrip interest rates. Consequently, they borrowed money right and left to buy merchandise, even paying their daily expenses with borrowed funds, unwilling to sell any goods. They planned to wait for a steady rise in prices to make a killing. Once prices fell,

they were unable to unload their goods, yet they had to repay their high interest loans, so they immediately fell into a desperate situation. For some Shanghai capitalists, in particular, who had the greatest appetite for speculative risk taking, the blow was most severe. Scores of grain wholesalers alone went bankrupt. This nationwide centralized action continued for half a month, coming to a victorious conclusion on 10 December. Prices throughout the country began to stabilize, and the socialist state-owned economy began to seize the market leadership initiative. Victory in this battle demonstrated the surpassing leadership skill and ingenious combat strategy of the CPC and the people's government. Even representatives of the bourgeoisie were reduced to submission.

By way of coordinating with the battle in wholesale markets, all jurisdictions intensified their retail grain sales work. In November 1949, while continuing to emphasize rations for government employees and teachers, Shanghai commissioned 94 privately owned grain shops to act as special sales representatives. Statistics show that grain supplied to the whole city by the state during this month was double the August amount. In Beijing, not only did cooperatives and previously existing business places and retail shops supply city residents with grain, but in order to improve retail sales work, an additional 56 retail shops were established within the short space of 3 days between 23 and 25 November. Tianjin also commissioned a number of additional shops, thereby enabling most of the residents of the city to obtain directly supplied grain from the state. These actions played a major role in stabilizing retail prices and calming the people's daily lives. At the same time, all jurisdictions imposed legal penalties against hoarding and refusal to sell, and against jacking up retail prices. At the second congress of people from all walks of life convened in Beijing during November 1949, 29 delegates jointly issued a proposal requiring attacks against "grain tigers" in order to stabilize prices. The mayor of Beijing, Nie Rongzhen made a special speech to the delegates on price problems in which he expressed acceptance of the demand of the broad masses and of the people's delegates in a decision to arrest and try "grain tigers" committing serious crimes. Also responding to public demand, the Shanghai Municipal Public Security Bureau summoned for interrogation seven rice shop owners who had jacked up grain prices in an attempt to make exorbitant profits, the serious offenders among them being sent to court for punishment according to law. These actions received enthusiastic public support.

The fourth round of price fluctuations occurred during the lunar new year in 1950. Inasmuch as the CPC and the people's government figured that the capitalists might begin to speculate again when business resumed following the lunar new year holiday, they fully readied material strength in advance. As a result, grain markets were fairly stable. In order to insure supplies of grain for Shanghai's markets during the western new year and the lunar new year at that time, in December 1949 the state

made advance arrangements to deliver large quantities of grain from northeast, south central, and southwestern China. Since the state had rather plentiful supplies of grain at its disposal, during February 1950 the Shanghai Municipal Grain Company released large quantities of grain to markets daily, accounting for 80 percent of all transactions. Despite a bombing by Kuomintang aircraft on 6 February, grain markets remained stable, and after the lunar new year, the price of rice continued at 280,000 yuan per dan. Stable grain prices played an important role in stabilizing all markets at that time, with the result that this round of price fluctuations did not spread everywhere. By March 1950, the state had taken stronger and more effective actions to control grain price fluctuations. Consequently, this round of fluctuations brought down the curtain on violent upheavals in the grain market that had lasted for more than 10 years following the end of the war against Japan.

### C. Unifying Financial and Economic Systems To Keep Grain Prices Generally Stable

Centralized nationwide financial and economic work was basic in bringing to a close the longstanding price fluctuations in China, and it was also a prerequisite for a fundamental change for the better in the nation's financial and economic situation during the period of national economic revival. This policy had been decided by the CPC Central Committee in 1949. After full deliberation and preparations, on 3 March the State Council issued "Decisions on Centralizing National Financial and Economic Work" (or in brief, "Decisions"), which was based on views expressed in the national financial and economic conference of February 1950. The basic content of the "Decisions" was centralized national financial receipts and expenditures, centralized nationwide goods and materials management, and centralized nationwide cash control. Strengthening of centralized control and management of tax grain, centralization of nationwide grain trade work, and organization of centralized grain allocation and transfer nationwide were important measures for insuring smooth implementation of the major policy of centralizing finance and the economy.

During the period immediately following founding of the people's republic, grain received in taxes was the main constituent of national fiscal revenues. In the 1950 budget estimate, tax grain revenue accounted for 41.4 percent of total financial revenue. Therefore, strengthening of centralized control and allocation of tax grain was of major significance for centralizing state financial receipts and expenditures, and the allocation of materials. In a 28 December 1949 telegram to financial committees in all administrative regions, Chen Yun and Bo Yibo raised the issue of improved control and centralized management of tax grain, and offered ideas for effecting it. The State Council's "Decisions" further stated succinctly that "except for additional local levies, all tax grain collected anywhere in the country reverts to the Ministry of finance of the Central People's Government for centralized allocation and use." "As a result of

a lean harvest in various places last year, and the enormous amounts of grain that large cities require, the Finance and Economic Committee of the State Council will have to draw up a nationwide tax grain allocation plan in order to achieve equitable use of grain." After the Ministry of Finance of the Central People's Government has carefully considered and calculated the possibility and has issued allocation and transfer orders, no province may refuse to transport tax grain to other provinces or regions."

As early as December 1949, in a conference on urban supply work, the Central People's Government Ministry of Trade (hereinafter termed Central Ministry of Trade, for short) stressed study and discussion of the allocation and transfer of goods and materials, the removal of currency from circulation, controlling materials, and centralized trade. After full discussion, the conference unanimously decided that "from an overall standpoint, centralized trade to coordinate goods and materials, (grain and cotton cloth foremost of all) was essential. Only when these two matters were completed could there be hope of attaining the goals of avoiding grain famine, removing currency from circulation, and getting control over prices. Chen Yun chaired this conference and gave a speech in which he said: "Our policies should be centralized and unified; the less strength there is, the more centralization is needed. Centralization and unification are difficult, but these difficulties are much less than losses from price fluctuations resulting from lack of centralization. The conference planned actions for the centralized allocation and transfer nationwide of important goods and materials such as grain and cotton cloth. While arranging for domestic allocations and transfers, it also considered the importation of some rice to supply Guangdong and Fujian.

In December 1949, the Ministry of Finance of the Central People's Government (hereinafter termed the Central Ministry of Finance) also convened its first national grain conference at which it drew up tax grain management plans for 1950. It decided to turn over 5.12 billion jin of tax grain to trade departments to modulate markets in addition to amounts for the armed forces and other necessary expenditures. Surplus grain producing areas at that time were northeast China, Inner Mongolia, south central China and Sichuan Province. Grain-short areas were mostly in northwest and east China. As a result of across-the-board planning, it was decided to allocate some surplus grain from northeast China and all surplus grain from Inner Mongolia to north China; and to allocate another portion of surplus grain from northeast China and surplus grain from south central China and Sichuan Province to east China. In addition, some fairly small allocations were made between other areas and within areas. In this way large-scale centralized transfers of grain were made on a national scale, something unprecedented in China's grain history. All areas concerned immediately acted to carry out the central government's plans, doing a large amount of arduous work. The south-central region had the biggest job to do



in transferring grain. On 13 January 1950, the South Central Bureau of the CPC Central Committee and the Central Plains Temporary People's Government jointly issued, "Decisions on Grain Shipment Problems," which called upon all provincial CPC committees and provincial governments to lead all personnel under their jurisdiction in regarding the transportation of tax grain as a major campaign on the economic front, planning carefully, and carrying it out with perseverance. In order to strengthen leadership, both the south-central and the southwestern regions set up tax grain transportation groups, and all provinces concerned also set up grain transportation command agencies. Guangdong was a grain-short province in the south-central region where Ye Jianying, who was in charge of party, political and military affairs in Guangdong at that time devoted extremely close attention to the grain issue. In a situation of extraordinary financial and economic hardships, he decisively allocated some foreign exchange, and sent the director of the provincial grain company abroad to negotiate the purchase of grain. He also personally requested assistance from the central government, and he organized large numbers of personnel to go to Hunan, Hubei, and Jiangxi provinces urgently to accept delivery of grain. This played a major role in evening out grain supply to Guangzhou and in holding down market grain prices.

On 15 March 1950, the Central Finance Committee issued "Instructions on Dumping of Goods and Materials, Pressing for Acceptance of Government Bonds, Removing Currency From Circulation, and Stabilizing Prices," which required that trade departments change their former conservative thinking resulting from inflation, selling off large amounts of goods and materials freely in a vigorous effort to remove currency from circulation. On 18 March, the Central Ministry of Trade also sent a telegram requiring the sale of goods and materials to fulfill the task of removing currency from circulation. Grain departments in all jurisdictions diligently carried out the spirit of these instructions, vigorously dumping grain in markets. Between early and mid-March, they dumped an average of 5 million jin of grain per day in Shanghai markets, rapidly producing a marked change in the market situation. As a result of the elimination of false purchasing power, after mid-March market grain prices everywhere began a steady descent. Statistics show that in a 40 day period from early March to mid-April 1950, prices of several main kinds of grain fell between 12 and 34 percent in Beijing markets, and between 11 and 39 percent in Tianjin markets. In Shanghai, Hankou, Chongqing, Guangzhou, Fuzhou, and Chengdu, rice prices fell between 7 and 40 percent. In Xian, the price of ordinary wheat flour fell 58 percent. In northeast China, where prices had been stable all along, the effects of the nationwide drop in grain prices were also felt. During this same period, the price of sorghum fell 8 percent in Shenyang. In the former period of price fluctuations, market prices had always departed

from national parity prices, showing a trend toward steady rise. Now, however, market prices were lower than parity prices.

As a result of the diligent implementation everywhere throughout the country of the spirit of the central authorities for strict enforcement of pertinent regulations, the people eagerly paid their tax grain and tax money, and purchased government bonds, thereby insuring national financial revenues. Civil and military, government and teaching personnel continued to live a hard and simple life. By conserving on national financial expenditures, they enabled very great achievements in the task of centralizing finances and the economy. Very soon, financial receipts and expenditures throughout the country approached balance, and market prices quickly stabilized. The inflation that had long caused extremely great damage to the people of the whole country, and the history of price rises came to an end. Centralization of finances and the economy, and stabilization of prices was the first major campaign on the economic front in the period immediately following liberation. Victory in this campaign was a prelude to a turn for the better in China's financial and economic circumstances during this period of revival of the national economy. Victory in this campaign declared the bankruptcy of the imperialists' predictions and defeat for the bourgeoisie. The leading position of the socialist state-owned economy began to be established over the entire national economy, and all people in the country were filled with exultation. The confidence of the broad masses of people in the CPC and the people's government was greatly increased. Mao Zedong spoke highly of this, noting that its significance was no less than that of the Huaihai Campaign.

## Section II. Striving for the Constant Stabilization of the Grain Situation

Following victory in the struggle to centralize financial and economic matters, and to stabilize prices, the hectic and tumultuous grain situation settled down for the most part. The leading market position of state-owned grain businesses began to be established for a heartening situation. Nevertheless, grain production had not yet revived, and the conflict between output and demand was still very sharp. In a situation in which grain continued to be traded freely, a battle of restriction and counter-restriction between socialism and capitalism remained unavoidable. Were vigilance to be abandoned and efforts slackened, fluctuations in the market price of grain might occur as before. Thus, it was necessary to consolidate further the leading position of state-owned grain businesses, and to continue to pursue a policy of using, restricting, and reforming state-owned grain businesses. At the same time, support had to be provided to the anti-America, aid Korea war, and the task of supplying grain for all needs had to be managed well. Only by doing this work really well could continued stability in the grain situation be won, and the revival and development of the national economy advanced.



### **A. Strengthening State Grain Organizations and Building Up a Work Force To Carry Out Centralized and Unified Leadership Step by Step**

Before the founding of New China, each jurisdiction set up grain control and administration agencies as victory unfolded in the war of liberation. Grain control agencies at all levels, under leadership of financial departments, were responsible for collecting grain in payment of agricultural taxes, moving it into warehouses, taking care of it, and allocating and transferring it, as well as supplying and managing grain intended for the armed forces, and other grain belonging to financial agencies or other institutions. The grain companies at various levels that were under leadership of trade departments (monopoly trading companies in some places) were responsible for the purchase and sale of grain in cities and the countryside, as well as for control of grain markets and grain allocations by public financial institutions. Right up until the period immediately following founding of the people's republic, each area maintained decentralized control and administration. The organizational structure was neither consistent nor complete. As the duties of grain departments became heavier and heavier, this state of affairs became less and less able to meet requirements of the developing situation. Acting in a spirit of centralized control over state financial and economic activities, in 1950 the state decided to establish the China Grain Company under jurisdiction of the Central Ministry of Trade, and the Grain Control Administration under jurisdiction of the Central Ministry of Finance for centralized leadership of grain administration agencies and grain control agencies nationwide.

Central Ministry of Trade founding of grain companies and other specialized companies had been decided at the National Urban Supply Conference of December 1949. In mid-January 1950, the inaugural meeting of the China Grain Company convened by the Central Ministry of Trade further decided the grain company's operating policies and duties. Its operating policy was: 1) To even out grain supplies among surplus and shortage areas, primarily through state-owned grain businesses as the country's grain production and marketing warranted, overcoming in a planned way the imbalances that had existed historically, conducting administration and control in a businesslike way. 2) Pursuing an equitable price policy that benefitted exchanges between cities and the countryside to attain the goal of helping production and calming the people's daily lives. Its duties were: 1) insuring grain supplies to cities and disaster areas, providing food for the people as state grain procurement work permitted, supporting cash crop areas, and maintaining fair parity prices between grain and cotton. 2) energetic organization of shipments, particularly grain shipments in places where transportation posed difficulties, promptly moving grain from places where it was available to help places where it was needed, surpluses one place remedying shortages in another to keep supply and demand equal. 3) Receiving Ministry of Finance grain allotments, and organizing transfers and grain sales

on time in fulfillment of the task of withdrawing currency from circulation in accordance with Central Ministry of Finance plans. 4) Improving grain storage to prevent grain damage. 5) Keeping abreast of markets, stabilizing grain prices, and cracking down on speculators to prevent sudden price ups and downs. 6) Planned procurement in all major grain producing areas of the country to foster agricultural production. 7) Energetically fostering cooperatives and retail sales companies in the course of operations for an increase in direct supply and a reduction of middleman exploitation.

The China Grain Company was formally inaugurated on 1 March 1950. Subsequently, six subordinate regional companies in north China, east China, south central China, northwest China, southwest China and northeast China, companies in all provinces and municipalities, as well as branch and sub-branch companies below the provincial and municipal level were established. Following the establishment of grain companies at all local levels, wholesale grain prices, grain and assets allocation and transfer, and withdrawal of currency from circulation were under centralized control of the central government. Enforcement of policies, fulfillment of quotas, and cadre assignments, transfers, and replacements were under local government control.

In December 1949, the Central Ministry of Finance convened a national grain conference at which it proposed the strengthening of grain agencies, and the establishment of state granaries under centralized vertical leadership for centralized control and management of tax grain. In accordance with "Decisions on Centralized State Tax Grain Receipts and Expenditures, Storage, and Movement," which the State Council issued in March 1950, each jurisdiction established grain bureaus and central tax grain warehouses in all administrative regions and provinces, and in prefectures and counties within provinces. On 1 October 1950, the Grain Administration was formally inaugurated to continue the work of the former Grain Department in the Ministry of Finance. Ministry of Finance "Order on the Establishment of a Nationwide Grain Control System, the Grain Administration Replacing the Grain Office" explicitly provided that the Grain Administration was both an integral part of the Ministry of Finance, and also a professional leadership organ for grain (supply) bureaus in all administrative regions and provinces (or municipalities) under direct central government jurisdiction. In accordance with the provisions of "Central People's Government Ministry of Finance Organization Regulations," which the State Council approved for trial implementation on 24 October 1950, the main duties of the Grain Administration were as follows: 1) drawing up specifics to be handled by the public grain system; 2) particulars pertaining to the receipt and storage of public grain; 3) particulars pertaining to the storage and warehousing of public grain; 4) particulars pertaining to grain shipments; 5) particulars having to do with payments for, supply of, apportionment of, and exchanges of public grain; and 6) particulars concerning the processing of grain and fodder.

By August 1952, these two major systems, [the Grain Company and the Grain Administration] applied different methods to fulfill their individual responsibilities, and simultaneously coordinated closely to play an important role in the battle to stabilize the grain situation. However, some problems also showed up in actual work, such as an overlapping of organizational facilities, complicated procedures, etc. Every jurisdiction steadily recommended the merging of the two organizations under centralized control.

In 1952, the task of reviving China's national economy was victoriously completed. the national financial and economic situation had taken a fundamental turn for the better. In order to centralize leadership, unify planning, centralize grain movements, and improve control over and use of grain nationwide so as to be able to be ready for large scale, planned economic construction, in accordance with "Decisions on Readjustment of the Central People's Government Structure," as well as orders from the State Council and the Central Financial Committee, the Central People's Government Ministry of Grain (hereinafter termed the Central Ministry of Grain) was founded on 1 September 1952 by merging the China Grain Company and the Grain Administration. Zhang Naiqi [1728 0035 0892] was appointed minister, and Fan Shiren [5400 1709 0086] was appointed deputy minister.

In September, and again in December 1952, the Central Ministry of grain convened its first and second national conference on grain work at which it studied and made plans about the nature and duties of the Ministry of Grain, the organization of grain departments at every level, staffing, and major problems in grain control.

The policies and duties for grain work that the first national grain work conference decided were as follows: to insure military and civilian needs for grain, to stabilize market prices; and to promote production and consolidate the alliance of workers and peasants. On the subject of the character of grain departments, this conference noted that "they are a combination of administrative control and businesslike administration; organizationally they are administrative organizations in charge of business organizations. By administrative control was meant internal control over moving grain into warehouses, control over enterprises' dealings, and control over planning and economic accounting. Externally, they coordinated with commercial departments to control markets and lead privately owned businesses." The conference also pointed out that "a spirit of businesslike operations must be given attention at the same time, and this spirit has to be put into effect throughout administrative organizations at every level. However, business organizations also retain administrative control; therefore, they cannot be mechanically separated, but rather must be organically combined.

This conference made the following decisions about the organization of local grain organizations at all levels: 1)

Grain administrations were to be set up in administrative regions to act as watchdog organizations sent out by the Central Ministry of grain. 2) At the primary level in provinces, grain departments would be established (grain bureaus in places where duties were slight). Cities would set up grain companies, special administrative zones would set up grain bureaus, and counties would generally set up grain sections, all of which would be integral parts of the government at the same level under dual leadership. 3) Below administrative organs at all levels various entrepreneurial would be established as work required such as warehouses, processing plants, supply stations, prevention and control teams, inspection teams, engineering teams, and organizations engaged directly in buying, transporting, and selling. The establishment of the Central Ministry of Grain and local grain organizations at all levels lay an organizational foundation for enhancing grain work even more during a period of large scale economic construction.

Cadres, staff members, and workers in grain organizations at all levels at that time were made up largely of work cadres from finance, grain, and trade departments in old liberated areas, and personnel doing grain work in newly liberated areas. Not only were there too few personnel, but they also lacked experience in managing urban grain work. They were unable to keep up with the rapidly developing situation. As a result of the personnel shortage, some grain control units in north China had to employ some rural warehouse personnel with production responsibilities to look after the grain. Later on, grain units in all jurisdictions stressed taking on demobilized military cadres as work required, and the enrollment of personnel having special skills and educated youths for a gradual strengthening of the ranks of grain cadres, staff members, and workers. By the end of 1952, cadres, staff members, and workers in grain departments nationwide totaled 219,900, 65,900 of whom were in administrative units, and 154,000 of whom were in entrepreneurial units.

In order to do a good job of building a work force, grain departments in all jurisdictions constantly intensified education in revolutionary ideology for cadres, staff members, and workers, and propagandized the character, duties, plans and policies underlying grain work. They provided various kinds of vocational and technical training in an effort to improve the work force's political quality and vocational skills.

CPC committees and people's government at all levels constantly improved leadership of grain work, and paid extremely great attention to the assignment and development of permanent grain unit leaders. The ninth conference of the Northwest Military and Political Committee of 28 March 1950 clearly decided to assign outstanding cadres to duties as grain bureau directors and grain warehouse managers at all levels. For many personnel who had been developed and promoted at that time, decades passed like a day. As leading cadres at all levels, they contributed their lifelong energies to building and development grain work in modern China.

### **B. Further Consolidating the State's Leading Position in the Grain and Commercial Sectors**

In a situation in which diverse economic components coexisted, state-owned grain businesses gradually developed and grew strong to win a leading position in grain markets. Under leadership of state-owned grain businesses, a policy of free purchase and sale was pursued. State-owned grain businesses used mostly economic methods, supplemented by necessary administrative methods, to organize the commodity flow of grain.

During the period of national economic revival, the state controlled mostly two links with regard to grain administration policy. One was the setting of a proper proportion of public and private dealings; the other was control of a fair price level for grain, establishing the leading role of state parity prices in markets.

Grain is an important strategic material having a bearing on the national economy and the people's livelihood. In grain dealings, the proportion of state-owned businesses had to increase gradually. In particular, they had to hold a large percentage of the wholesale grain business. This was an important condition for enhancing the leadership position of state-owned grain businesses in markets. When the second joint conference of China Grain Company managers drew up grain procurement and marketing plans for 1951 in September 1950, they explicitly provided percentages of public and private grain dealings in cities. The percentage of grain dealings for state-owned businesses was 60 percent in Shanghai, 70 percent in Tianjin, 50 percent for other large cities, and approximately 40 percent for medium-sized cities. In the "Report on Financial and Economic Work Plans and Tasks For 1952," which Chen Yun drafted for the CPC Central Committee in his own name and in the names of Central Financial Committee deputy chairmen Bo Yibo and Li Fuchun, he noted the following with regard to policy toward private businesses: "State-owned trade must continue to expand and strengthen its leading position in wholesale markets dealing in major commodities, and it must maintain consistent strength in retail markets. In addition, he noted that "the percentage of grain dealings by state-owned businesses should increase."

Between 1950 and 1952, the percentage of purchases and sales by state-owned grain businesses rose step by step. It was estimated that in 1950 state grain procurement accounted for approximately 23 percent of total public and private procurement. The figure increased to approximately 73 percent by 1952. State-owned grain business sales volume as a percentage of total public and private sales volume was approximately 20 percent in 1950, rising to approximately 51 percent in 1952.

Setting of fair grain prices, state parity prices playing a leading role in markets was of crucial importance in stabilizing market grain prices further, and in consolidating and enhancing the leading position of state-owned grain businesses. During the period of national economic revival, the CPC and the Central People's Government

devoted extremely close attention to controlling grain prices, authority to readjust grain prices being concentrated in the hands of the central authorities. During the period immediately following founding of the people's republic, the Central Ministry of Trade controlled grain prices in eight large cities, the number gradually increasing to 19 large and medium-sized cities. Without central government approval, local governments could not themselves make readjustments. The trade departments of each of the administrative regions also controlled some market prices (including those of neighboring prefectures in different provinces), effecting readjustments according to central government plans. At that time, two market prices for grain existed concurrently. One was the plan price, which was the state parity price. The other was the free market price. The parity price was formulated and readjusted according to changes in market supply and demand, the state applying the role of the laws of value, and premising it on concern for the interests of producers, consumers, and those who transported and sold grain. One important task of state-owned grain businesses was to increase the leading role of state parity prices vis-a-vis market prices, stabilize market prices at parity price levels, prevent abrupt rises and falls in grain prices, and crack down on speculation and profiteering. Attainment of this goal required that state grain businesses adopt a combination of buying and selling, flexibly taking in and disgorging grain in their business operations. The rule at the time was just one parity price in a given market at a given time. In general, the producing area set the parity purchase price, and the marketing area set the parity sale price. In some cases, the procurement parity price depended on the procurement season, and the sales parity price depended on the marketing season. In buying and selling, usually a 5 percent differential was maintained between parity price and market price, flexibility exercised as the market supply demand situation and price changes warranted. When the market price was 5 percent lower than the parity price, large-scale buying was done. When the market price was 5 percent higher than the parity price, large-scale selling was done. By buying up and selling off, market prices were stabilized at the parity price. This method of operation was termed "big buying and big selling" at that time.

Since grain departments in some areas were very conservative in grain purchases and sales, some of them fearing that once they had too much grain they would not be able to take care of it properly, they were unwilling to buy. In other places, grain departments were afraid they would sell all their grain and be unable to replace it, so they were unwilling to sell. As a result, a situation resulted in which parity price and market price became disjointed. In addition, the rather serious institutional work style of some units adversely affected the normal operation of the combination of buying and selling for flexible accumulation and disgorging of grain. The China Grain Company issued instructions about this on several occasions, asking that state-owned grain business units at all levels resolutely overcome conservative thinking and a

bureaucratic workstyle in their dealings, buying freely when it was time to buy and selling freely when it was time to sell, neither refusing to buy nor not wanting to sell. It also instituted attendant discipline and responsibility systems which were effective to a certain extent. In some jurisdictions, grain departments also resorted to "the use of purchases to help sales," or "the use of sales to help purchases" as market conditions changed, thereby better combining grain purchases and sales, and bringing into play the leading role of state parity prices in markets.

Control of plentiful grain is the material foundation for consolidating and strengthening the leading position of state-owned grain businesses. Consequently, CPC committees and the people's government at all levels devoted extremely close attention to purchasing grain and the allocation of agricultural tax grain as trade grain. In June 1950, the Central Ministry of Trade promptly issued instructions for the purchase of wheat. In September of the same year, the CPC Central Committee approved and forwarded the Central Finance Committee's "Report on Policies For Controlling Prices During the Second Half of the Year", and in October the CPC Central Committee made another issuance, this time, "Views on Problems in the Purchase and Sale of Agricultural and Sideline Products This Year." All these documents stressed autumn grain procurement. Additionally, the Central Ministry of Trade also issued "Instructions on Large Scale Grain Procurement Within the Great Wall," and also raised grain procurement prices. However, a look at actual implementation of the instruction shows that as a result of too ambitious planning for wheat procurement and too low a procurement price, autumn grain procurement work was not taken firmly in hand in some areas, so the grain procurement quotas for the whole year were not fulfilled well.

The 1951 wheat harvest was a rather good one. Having learned lessons from experience during 1950, planning of procurement was done fairly early, the price offered for wheat was fairer, and peasants were extremely eager to sell. At that time, in quite a few markets in southern Jiangsu, northern Anhui, Shandong, and Henan, as many as 1,000 peasants waited to sell their grain, some of them for as much as 2 or 3 days. Peoples governments in all jurisdictions provided very great support to wheat procurement work. Pingyuan and Henan helped solve warehousing problems; Hebei and northern Anhui coordinated cadre assignments, and in Henan and southern Jiangsu, some county and prefecture magistrates personally went to procurement sites to direct the work. Grain companies at all levels also arranged promptly for wheat procurement work. They strengthened leadership, conducted thorough inspection and supervision, improved business methods, simplified grain purchase procedures, increased the number of network purchase points, and warmly received the peasants. In addition to setting up 730 procurement sites, the East China Grain Company commissioned cooperatives to set up 2,800 purchasing agent sites. At some procurement points in

Henan Province, matchsheds were erected and tea prepared to welcome guests and provide them a place to rest. Statistics show that the amount of wheat purchased from January through October 1951 was more than six times again as much as had been purchased during all of 1950, and 1950 autumn grain procurement was better than during the previous year.

In 1952, the CPC and the people's government further emphasized the strengthening of grain procurement. The CPC Central Committee's "Decisions on 1952 Grain Supply" called upon CPC committees at all levels to fulfill national trade departments plans for procurement of grain from the peasants. It also decided to increase procurement nationwide by 2 billion jin above and beyond the earlier procurement plan set for 1952. The Central Finance Committee also made "efforts to procure grain and make overall shipment plans" one of four problems requiring special attention in financial and economic work during 1952. On 18 May, RENMIN RIBAO also published an editorial titled, "Purchase the New Wheat Promptly." All jurisdictions strengthened leadership in grain procurement work in the spirit of the CPC Central Committee decision, and they also kept rather good control over procurement prices. As a result the year's wheat and autumn grain procurement was completed rather well.

Grain control departments and grain dealing units at all levels coordinated closely in the joint task of turning over grain collected as tax revenue, converting it to trade grain (hereinafter termed transfer work), playing a major role in augmenting the grain resources of state-owned grain businesses. In order to do a good job in the 1951 transfer work, in November 1950 the Central Finance Committee approved the transfer method agreed upon by the Central Ministry of Finance and the Central Ministry of Trade, and it telegraphed notification to finance committees in all jurisdictions to organize grain transport headquarters for centralized handling of grain shipments. On 5 December, the Grain Administration and the China Grain Company jointly convened a meeting at which specific kinds of grain to be transferred and times of transfer were set in accordance with transfer plans for individual provinces in each administrative region that the Ministry of Finance and the Ministry of Trade had drawn up. In 1951, all jurisdictions put into effect a method whereby grain was converted to trade grain at the time it was moved into warehouses following requisition procurement. This greatly speeded up transfers for a large saving in manpower and the country's financial resources. In 1952, the CPC and the people's government further reemphasized increased centralization of agricultural tax grain and trade grain scheduling. In "Several Regulations on 1952 Grain Supply," the CPC Central Committee required that in addition to the percentage of the 1951 excess procurement of 1.3 billion jin of grain to be turned over to the state, local governments would have to guarantee sale to the state of a portion of the grain they retained." It also pointed out that "all jurisdictions should make grain utilization

plans for additional grain local jurisdictions received, reporting them to the Central Ministry of Finance for approval before implementation. Surplus grain could not be sold in free markets; all of it had to be sold to the state." The CPC Central Committee also decided that "CPC committees at all levels were required to guarantee obedience to CPC Central Committee centralized movement of tax grain and trade grain in all jurisdictions. Should problems arise in the form of imbalanced supply and grain price fluctuations as a result of centralized grain movements, the Central Committee would be centrally responsible for their solution." All jurisdictions assiduously implemented the decisions of the CPC Central Committee with rather good results.

### C. The Policy of Utilization, Restriction, and Reform of the Private Grain and Commercial Sector

Since privately owned grain businesses had two different roles during the period of national economic revival, the state conducted a policy of utilization, restriction and reform with regard to them. Their positive role that benefitted the national economy and the people's livelihood was utilized, legitimate private grain businesses being permitted to operate legally and to develop rationally. At the same time, their negative role that was not beneficial to the national economy and the people's livelihood was restricted, and a crackdown was carried out against the profiteering and disruptive activities of illegal grain merchants.

Once financial and economic matters and prices nationwide were basically stable, private grain businesses found the going hard. Large numbers of grain businesses and grain shops went out of business and closed shop. The problems of wholesale grain merchants were particularly apparent. Shanghai statistics show that there were a total of 3,040 grain rice businesses, rice shops, rice mills, and retail rice merchants throughout the city in 1950, and that by the end of April, 1,270 of them had gone out of business, 1,100 were semi-closed, and only 670, or 22 percent of the original number, were operating normally. During April and May nearly 400 grain wholesalers had virtually ceased operation.

In view of this situation, beginning in June 1950 all jurisdictions set about readjusting the relationship between public and private grain firms in the spirit of the 3d Plenum of the 7th CPC Central Committee and centralized state plans for the readjustment of industry and commerce in order to help legitimate privately owned grain business get out of their predicament. The emphasis of the readjustment was on price policies, meaning the formulation of suitable differential prices for different areas and wholesale and retail differential prices, thereby enabling private merchants to make a profit. Second was the scope of business, setting a rational division of labor in grain procurement.

This was the wheat procurement season. The Central Ministry of Trade issued special instructions calling on all jurisdictions to "exercise a policy that takes account

of public and private purchases, accommodating the legitimate business activities of private merchants in the same way as state-owned trade," "the control measures taken in the past to prevent price fluctuations in wheat procurement requiring change." During the autumn grain procurement in that same year, in order to unite private businessmen to bring into play the positive role of private capital, suitable differential grain purchase and sale prices, and seasonal differential prices were drawn up.

After all jurisdictions had properly readjusted regional price differentials, and purchase and sale price differentials for grain, the enthusiasm of private grain merchants for doing business improved. For example, the price differential for miscellaneous grains between Tianjin and Shanhaiguan, and the price differential between Tianjin and Jinan for wheat flour had been too low impeding flow from one area to another. Following readjustment, private merchants shipped 5.2 million jin of miscellaneous grains and more than 3 million jin of wheat flour into Tianjin the same month. Private merchant shipments of rice to Shanghai during June also increased 75 percent over May.

Using readjustment of the relationship between the public and the private sector as a basis, in 1951 the state further encouraged private grain dealers to transport goods for sale in the countryside, accommodating them in various regards including price, transportation, credit, and tax payments in order to organize the exchange of goods between cities and the countryside. At that time, private grain merchants in Shanghai and Tianjin scrambled to organize partnerships to go to the countryside to buy grain. Statistics from Shanghai show that in slightly more than one-half year from April to October 1951, the Shanghai Municipal Bureau of Industry and Commerce approved 75 rice business partnerships, a total of 2,080 rice business and rice shops forming partnerships. This was 85 percent of the private grain businesses in the city with a pooled capital amounting to more than 9.6 billion yuan. They purchased and brought into the city 240,000 dan of rice each month, which was about a third of the amount that privately owned rice shops supplied. Incomplete statistics show that they made profits of more than 5 billion yuan during 10 months of partnership, which was more than 50 percent of their pooled capital.

As a result of the centralization of financial and economic matters, the stabilization of prices, and the readjustment of industries and businesses, by the end of 1951 the city's industry and commerce revived. Normal exchanges of goods between the city and the countryside occurred, and markets flourished. Nevertheless, the nature of the bourgeoisie to care for nothing but profits was also clearly revealed. At this time, the bourgeoisie was no longer able to contest openly a leading market position with the state-owned economy, so it used links between the capitalist economy and the socialist economy, some loopholes in the state-owned economy, and a small number of wavering elements in a resort to

the "five pernicious" techniques of bribery, tax cheating, tax evasion, theft of state assets, doing shoddy work and using inferior materials, and theft of state economic intelligence to make illegal profits, and it rejected the leadership of the state-owned economy.

The situation reported from Shanghai showed a rather serious situation in tax cheating and tax evasion among private grain dealers. Some retailers used nasty practices to cheat the public such as adulteration, short weighing, misrepresenting inferior quality as the best, and jacking up grain prices. Spiritng money away was also a common practice. In the course of the "five antis" campaign, it was found that more than half of the rice shops had spirited capital away, the flight of capital totaling more than 1 billion yuan. In the wholesale trade and warehousing sector, some private merchants took advantage of the opportunity they possessed in having been commissioned to store grain because of the warehouse shortage. They overweighed grain entering the warehouse and underweighed grain leaving the warehouse, falsely reported damage, secretly diverted grain, and even resorted to falsifying invoices and multiple use of warehouse removal documents to rob state grain. Privately owned grain consignment shops also stole and sold or diverted state grain, or purposely jacked up prices in an effort to make illegal profits. One private grain shops used overreporting to embezzle 8,000 jin of state-owned corn, and also unauthorizedly raised the price of corn flour from 400 to 650 yuan per jin. In addition, problems of internal and external collusion, graft, and larceny came to light. One example was the collusion between a traitorous merchant, who had wormed his way into an exchange station in the Anyang Special Administrative District of Pingyuan Province, and another merchant, stealing a total of 430,000 jin of grain from government warehouses, and 49 million yuan in public funds.

During the autumn of 1951 and early 1952, the "three anti" and "five anti" campaigns were launched in depth throughout the country. They completely exposed the bourgeoisie as being interested only in profit, and being opportunistic. They also dealt a serious blow to the "five kinds of capitalist villainy." As a result, the bourgeoisie was obliged, to a certain extent, to conduct business according to the law, and accept the leadership of the state-owned economy. This set the stage for the future socialist transformation of capitalist industry and commerce. Nevertheless, following the "three antis" and "five antis" campaigns, private grain merchants' interest in doing business declined, and markets were flat for a time. Some of them got out of dealing in principal grains, shifting to miscellaneous grains. Some of them who had a negative attitude of having lost everything prepared to close their shops. In order to reverse this situation, the state promptly acted to support private merchants through the liberalization of credit, and the organization of materials exchange fairs. During the last half of 1952, private trading began to perk up again. During August and September, when the autumn grain went to market,

merchants hurried to southern Jiangsu, Zhejiang and Shanghai to buy grain, and grain merchants in Jiangxi, Hunan, and Wuhan transported grain for sale in other places.

In response to problems in commercial work, on 15 November 1952, the CPC Central Committee published "Instructions on the Readjustment of Commerce," in which a readjustment of public and private businesses was decided. The purpose of the readjustment was to make sure there was no decline in the volume of privately owned grain businesses, and the primary means of adjustment was solution to price problems, particularly a liberalization of the price differential between wholesale and retail prices. The second means was to delineate the business sphere of the public and the private sectors. The third means was to abolish various improper restrictions on private business. In the process of carrying out the CPC Central Committee instruction, all jurisdictions adopted measures to expand the wholesale and retail price differential for grain, and to increase the wholesale starting point. Seeing a profit to be made from doing business, private merchants seemed exhilarated. During December 1952, the dealings of private traders in the grain markets of Shanghai and elsewhere increased markedly. Some private grain merchants who had suspended operations for a time revived their businesses. As a result of a lack of deep understanding of the spirit of the CPC Central Committee's instructions at the time, some problems arose in their implementation, one of which was too great a readjustment of the wholesale and retail price differential. Second, some places ill-advisedly abandoned publicly owned market sites, giving up their position. Some provinces abolished grain procurement network points on a large scale, and some provinces completely abolished grain company retail sales in small cities, and mobilized private merchants to take their place. In many places, the percentage of dealings by state-owned businesses declined, and the number of grain dealers increased vastly. Some peasants also engaged in the transportation of grain for sale. This resulted in a passive situation in grain procurement and marketing work, and abetted a rise in market grain prices.

#### **D. Support to the War To "Resist U.S. Aggression and Aid Korea," and Making Adequate Arrangements for Different Requirements of Grain Supply**

After the war to resist U.S. aggression and aid Korea began in October 1950, the second national finance and economic conference, which was convened in November of the same year, set a course for financial and economic work during 1951, namely national defense first, stable prices second, and all else third. This policy meant there were two major tasks to be faced on the grain front at the time. One was to insure grain supplies to forces at the front; and the other was to stabilize grain markets in the rear.

"Grain and fodder must be prepared before troops and horses," runs a well-known dictum. Supplying grain to

troops wherever they battled was a glorious tradition in grain work shaped during the long period of revolutionary war. After the outbreak of the war to resist U.S. Aggression and Aid Korea, "grain control departments throughout the country acted at once under Ministry of Finance jurisdiction throughout the country, bending every effort to insure supply of grain to the front as a central task taking precedence over all others. Grain companies at all levels also coordinated actively to lend support. Very great difficulties existed at that time in transporting and processing military grain. Furthermore, the movement of grain was frequently required on short notice and extremely urgently. The task was particularly daunting in the northeast China region where bases supporting the front were located, and in the east China region where the task of supplying fine grains was greatest. The task of supplying troops in transit on short notice, as well as the task of supplying parched rice and fried noodles to the front was likewise an extremely strenuous one, and one that would brook no delay. Nevertheless, grain departments in all jurisdictions were able to accept these assignments resolutely, and fulfill them on time in the desired quantity and quality. At that time, Harbin set up eight military grain processing plants, mobilizing a large amount of manpower to process fried noodles and biscuits, which were sent directly to the Korean battlefield. At the third national grain control conference convened in November 1951, supplying the front was critiqued, and further study and planning done. It was also decided that all administrative regions concerned would send representatives to northeast China to organize offices to supply grain. They would be under authority of the Northeast Grain Administration for better fulfillment of the military grain shipment and supply mission.

Stabilization of prices in the rear was also to support the battlefields at the front. Furthermore, stabilization of the market price of grain was of particularly important significance. In a summary delivered to the second national conference on financial and economic work, Chen Yun said, "In cities, grain is the key to popular unrest or lack of unrest; in rural villages, cotton cloth is of greatest importance." He particularly reminded that "everyone supposes grain is no problem, but I believe it is necessary to remind people to pay attention to this matter. Many of the mistakes we make are frequently attributable to negligence. Maintenance of markets requires close attention to grain supply." He also noted that "the supply of grain, salt, and coal to cities today is essentially a transportation problem." The establishment of a powerful transportation command organization, centralized planning of the transportation of military stores and things needed in the daily life of the people, and fullest use of all transportation methods to transport grain scattered in out-of-the-way rural villages to railheads has brought grain resources to bear effectively, thereby insuring regular supplies to cities. Although grain market prices showed a small amount of fluctuation in some places at the outset, they calmed down very rapidly. In mid-September 1950, for example,

on the day following the news that United States forces had landed at Inchon in Korea, more than 2,000 people scrambled to buy grain at grain exchanges in Beijing, causing a rise in market prices. However, since the state controlled ample grain, once it dumped large amounts on the market, grain prices returned to their previous level.

In order to calm the daily life of people in cities and the countryside, support the revival and development of industrial and agricultural production, and achieve continued stability in the grain situation, the China Grain Company made its primary task insuring food to cities and disaster victims. It also made this a part of state procurement work for supplying grain to cash crop growing areas. While insuring grain supplies for the armed forces, grain control departments at all levels also placed in an important position both grain for disaster relief and grain for water conservancy projects.

In supplying grain to cities, the state gave priority to large cities and important industrial and mining areas, because they were centers for industrial production, and also key points for stabilizing market prices. Statistics from 14 cities and industrial and mining areas, namely Beijing, Tianjin, Shanghai, Wuhan, Guangzhou, Xian, Chongqing, Shenyang, Luda, Harbin, Changchun, Anshan, Fushun, and Benxi, showed year-by-year increases in national grain sales. At a figure of 100 for 1950, the figure for 1951 was 147, and 228 for 1952, a more than double increase in 2 years. Moreover, grain sales volume in these 14 cities and industrial and mining areas declined year by year as a percentage of total sales volume nationwide, going from 32.4 percent in 1950 to 30 percent in 1951 and 20.2 percent in 1952. This showed that state-owned grain supply businesses were gradually expanding in the direction of medium and small cities, market towns, and rural villages even while the volume of grain supply to large cities and industrial and mining areas was increasing.

On the basis of experiences in centralizing financial and economic matters and stabilizing prices, the state devoted attention first to improving the amount of grain in storage in order to be able to insure normal grain supply to cities. Three conferences of managers that the China Grain Company convened between September 1950 and September 1951 stressed this problem, and set grain storage quotas for Beijing, Tianjin, Shanghai, and nine other large cities, requiring that these large cities have, at minimum, sufficient grain in storage to be able to maintain normal supply for 3 months. Next was full reliance on cooperatives and retail companies to organize direct supply to consumers. State-owned grain companies gave a preferential wholesale price on grain they supplied to retail companies and cooperatives. Thus, they not only insured working people's basic grain ration needs, but also eliminated middleman exploitation and fostered the development of retail companies and cooperatives as well. They also made state-owned grain businesses more a part of plan, and expanded the organized consumer market. State-owned retail companies



first began in Beijing and Tianjin during late 1949 and 1950. At that time, they dealt in six different necessities for daily life, principally grain, and had as their goal the stabilization of retail market prices. Later on, Shanghai and some other cities set up retail companies one after another, Shanghai having a grain company specializing in retail sales. At the national retail work conference that the Ministry of Trade convened in April 1951, it was decided that cities or industrial and mining areas having a population of more than 10,000 could set up retail companies. Statistics show that by the end of 1951, 25 cities in the administrative regions south of the Great Wall had set up retail companies having a total of more than 600 retail shops. Grain supplied by retail companies for this year increased 57.7 percent over 1950.

The grain problem in disaster areas has been a most serious social problem throughout China's history. Following the founding of New China, the people's government leadership group took various actions to prevent and resist disasters. They actively organized production for disaster relief, doing a good job of supplying grain, and greatly alleviating the seriousness of disasters. Following the great flood disasters of 1949, despite very great transportation difficulties, the state delivered more than 3 billion jin of grain to disaster areas, and used 1.5 billion jin of grain for disaster relief. The relief grain that the state allotted was mostly to aid people in disaster areas with production. The grain was not issued just for relief with no concern for production. In particular, repayment with labor, organizing disaster area people to build water conservancy projects, not only solved the food problem, but also improved ability to resist disasters. Statistics show the allotment in northern Jiangsu alone of 230 million jin of grain to be repaid through labor to renovate the dikes along the Mu and the Yi rivers. In an April 1950 report to the 7th Conference of the Central People's Government Committee on the country's financial and grain situation, Chen Yun compared the 1949 disaster situation and the amount of grain used for relief with the nationwide floods of 1931. He said that about 300 million mu less farmland was flooded, and there were 12 million fewer disaster victims in 1949 than in 1931. Grain used for disaster relief in 1950 was 255,800 tons more than in 1931, and all of it was transported to disaster areas. However, according to a report from the Kuomintang Government flood relief committee published in "Chinese Economic Yearbook," at least 150,000 tons of grain was allotted for disaster relief in 1932, but it was not transported to disaster areas. In July 1950, Chen Qiyuan [7115 0366 3850] said in a report to the National People's Government Committee that "in 1931, the reactionary Kuomintang regime starved to death 3.7 million people. Last year, just 1 year after founding of the Central People's Government, when such a serious famine was faced, realization of the slogan "no deaths through starvation" was insured.

In order to support development of cash crops, particularly cotton production, the state paid extremely close

attention to maintaining a fair parity price between grain and cash crops, and to providing for the supply of grain to cash crop growing areas. In 1949, a parity price of 1 jin of medium-grade ginned cotton for 8 jin of millet, and approximately 10 jin in some areas, was set for the north China region. This spurred cotton production in 1950. In its "Circular Notice on Maintaining Equitable Price Parities between Cotton or Hemp and Grain," from the Central Finance Committee in April 1950, specific provisions were set for price parities between cotton and grain, and hemp and grain for the whole country. The conversion rate to grain of 1 jin of medium-grade ginned cotton having a length of 8 fen 7 cun was 8 jin of millet in the principal cotton growing areas of north China and Shandong, 7 jin of wheat in the principal cotton growing areas of Henan and Shaanxi, and 6.5 jin of rice in the principal cotton growing areas of the Chang Jiang Basin. In other areas (northeast and southwest China), either the administrative region or the finance committee set parities. The conversion rate between grain and medium-grade hemp was 2 jin of millet per jin of piemaker [*Abutilon theophrasti*] in north China, the conversion rate for jute [*Corchorus capsularis*] and other kinds of hemp being set by individual provinces and autonomous regions. In order to promote increased cotton production, the Central Finance Committee decided to raise the price of cotton in 1951. Exchange of grain per jin of cotton in various jurisdictions rose by 0.5, 1, or 2 jin. At the same time, the parity price between hemp and grain, and between tobacco and grain was increased. Output of cotton, hemp, and tobacco increased enormously during 1950 and 1951, output of cotton increasing 55.8 and 48.8 percent over 1949, and the cotton growing area increasing more than 40 million mu during the 2 years. In order to stabilize the cotton field area, a plan for increasing grain production was completed in 1952, which increased grain and cotton yields per unit of area. Central Finance Committee regulations for cotton and grain parity prices (the conversion rate between ginned cotton and grain) were revised. In the millet growing areas of Hebei, Pingyuan, and Shandong, the conversion rate was 8 jin of ginned cotton for 9 jin of millet; in Shanxi, the conversion rate was 8.5 to 9.5 jin. In wheat growing areas, the conversion rate was 7.5 to 8.5 jin; and in rice growing areas, the rate was 8 to 9 jin. Since overly high parity prices for other cash crops hurt increases in grain production, they were no longer applied.

Grain supply work in cash crop growing areas generally proceeded in parallel with cash crop procurement work. As a result of cotton crop forecasting implemented in 1951, provisions were made to advance cotton growing peasants some grain as a down payment on advance purchase contracts. The peasants heartily welcomed this. After 1950, the amount of grain that the state supplied to cotton growing areas increased year by year. Taking a figure of 100 for 1950, the figure for 1951 was 155, and for 1952 197. This played an important role in calming the lives of cotton growing peasants, promoting increases



in cotton production, maintaining cotton procurement, and fulfilling the task of removing currency from circulation.

### **Section III. Steady Improvement in Grain Situation During the Period of Economic Rehabilitation and Consequent Problems at the Later Stage**

The period of revival of the national economy was a period during which a foundation was laid for grain work in modern China. Under leadership of the CPC and the people's government, the people of the whole country went through more than 3 years of arduous efforts in which they overcame various hardships. China's grain situation gradually turned for the better, playing a positive role in spurring national economic revival and development.

During the period of economic revival, the gradual improvement in China's grain situation was manifested in the following several ways:

#### **A. Gradual Nationwide Increase in Grain Output**

In 1950, nationwide gross output of grain was 264.25 billion jin. In 1951, it increased to 287.37 billion jin, and in 1952, it increased again, this time to 327.83 billion jin, up 44.8 percent from 1949 and exceeding by 9.3 percent the highest preliberation year output. In national per capita terms, grain output in 1952 was 570 jin per person, 36 percent more than in 1949. Increased grain output provided a material foundation for the stabilization of prices. The reason for the consecutive year increases in grain production were primarily that after 1950 land reform was conducted step by step throughout the country, and the agricultural cooperative movement was launched. In addition was the large scale construction of water conservancy, and the adoption of a series of economic policies and production techniques for the development of grain production, which emancipated rural productivity and aroused peasant enthusiasm for production. At the same time, peasants' agricultural tax grain burdens were somewhat reduced and grain procurement prices raised, which played a definite role in boosting grain output.

Stabilizing and suitably reducing the peasants' agricultural tax grain burden has been a policy that the CPC has consistently pursued. In 1949, the agricultural grain tax generally amounted to 17 percent of gross income. In 1950, Mao Zedong proposed a reduction in taxes on the summer crop as well as a slight reduction in taxes on the autumn crop. On 30 May of the same year, "Decisions on Summer Agricultural Tax Grain Levies for 1950 in Newly Liberated Areas," was published. This provided that the total amount of agricultural taxes on the summer crop to be paid in grain in newly liberated areas in which land reform had not yet been carried out in 1950 could not exceed 13 percent of the gross summer grain output in an given administrative region. It also provided that no province could levy an additional agricultural tax payable in grain that brought the total tax to more than 15 percent of summer grain output. In September of the

same year, "Provisional Regulations on Agricultural Taxes in Newly Liberated Areas," which was approved by the ninth meeting of the Central People's Government Committee, and "Instructions on Tax Collection in Newly Liberated Areas" from the State Council were published one after another. Agricultural tax rates were lowered in accordance with the provisions of these documents, the burdens of all levels lightened, and the proportional burdens made more equitable. Inasmuch as some problems still existed with regard to 1951 tax collections, in June 1952 the State Council further published "Instruction on Agricultural Tax Collections in 1952," which provided that beginning with taxes on the summer crop in 1952, only the Central government would collect an agricultural tax, and that local surcharges would be abolished without exception. This fundamentally abolished the former situation in which each level collected additional taxes, and imposts were arbitrarily imposed. The peasants supported it enthusiastically. Acting in the spirit of CPC Central Committee "Several Regulations on 1953 Grain Supply, the previously too light tax burden on cotton fields was suitably increased in order to even out the peasants' burdens. A look at weighted average procurement prices for six different kinds of grain (wheat, rice, millet, sorghum, corn, and soybeans) sold in markets at the county level and above nationwide showed a 1952 8.8 percent increase over 1950. These measures were effective in promoting increased grain production.

#### **B. Market Grain Prices Continue Stable; People's Livelihood Begins To Improve**

Following the nationwide centralization of financial and economic matters in March 1950, grain prices gradually stabilized by the end of 1952. Taking the nationwide wholesale grain price index for March 1950 as 100, it was 76.61 in December 1950, 88.29 in December 1951, and 88.24 in December 1952. This played an important role in advancing revival and development of the national economy.

People in cities and the countryside were relieved of their enduring fear of soaring grain prices, and life began to become more secure, with some improvement. After rural villages carried out land reform, no longer did the broad masses of peasants have to pay landlords crushing land rents amounting to approximately 70 billion jin of grain. This meant peasants had an additional 200 to 300 jin of grain per person per year. During land reform in newly liberated areas, an additional 10.5 billion jin of grain was divided among the peasants. The broad masses of peasants changed their way of life in the old society in which they had nothing to eat but chaff and wild herbs for half the year. Their level of grain consumption rose gradually, both quantity and quality improving. A survey conducted in the Laiyang Special Administrative District in Shandong Province by the East China Grain Bureau in December 1952 showed that most peasant households that had formerly eaten mostly sweet potatoes now ate grain. They either sold their sweet potatoes or used them as livestock feed. Quite a few peasant

households also had surplus grain. For example, one peasant household in Liuyi Village in Laiyang County that had to eat wild herbs in 1949 because it could not get sweet potatoes, had mostly grain to eat in 1951. It sold most of the 1,500 jin of sweet potatoes harvested for livestock feed. In 1952, it ate only grain. In cash crop growing areas and a substantial number of areas that produced local specialties, the peasant grain eating situation was somewhat better. Among the kinds of grain that city people ate, the percentage of fine grain increased little by little, and quality also improved gradually. Nevertheless, in some places where transformation was not readily available, and in poverty and disaster-stricken areas, the life of quite a few peasants was rather hard.

### C. Gradual Increase in Stage Requisition Grain Procurement and Amount of Grain in Storage

During the period of national economic revival, both the amount of that the state collected in taxes and the amount it purchased on the market increased year by year. Assigning 100 as the figure for the total amount of state requisition procurement grain for 1949, in 1950 the figure was 121.6 increasing to 171.8 in 1951, and increasing again to 197 in 1952, or nearly doubling. As the amount of requisition procurement increased, not only were amounts allocated for supply, but the state also paid close attention to grain reserves. In 1951, it began to set aside a certain amount of agricultural tax grain as a general national grain reserve. The amount of grain in storage grew year by year, the amount in storage at the end of 1952 being 32.7 percent more than in 1951.

As the national grain situation gradually improved, beginning in 1950 a certain amount of grain was exported each year in return for needed equipment and materials to support the building of the country's basic industries. Over a 3 year period, a cumulative total of 10.18 billion jin of grain was exported. Although the amount was not very large, its export demonstrated China's prospects for solving its grain problem through self reliance, and it was also a powerful rebuke to the imperialists blockade and embargo, and its vilification of China on the grain issue.

As the grain situation took a gradual turn for the better, some problems appeared in grain procurement and marketing throughout the country, foremost of which was a rapid increase in the amount of grain sold nationwide. Although market procurement of grain increased, procurement volume was smaller than sales volume, so the gap between grain procurement and sales widened steadily, a situation that immediately aroused the attention of the CPC Central Committee. In "Several Regulations on the 1952 Grain Supply," the CPC Central Committee pointed out that national grain departments sales volume for 1951 was much greater than in 1950, and it forecast a continued increase in sales volume for 1952. For this reason, it warned that 1952 grain supply coordination remained a fairly serious problem. "As expected, the international situation was such that the

volume of grain sales for the year increased greatly over the previous year. Sales greater than purchases was also a more prominent problem.

This situation showed that during the period of national economic revival, despite a turn for the better in the grain situation, conflicts between production and need and between supply and demand for grain were far from solved, but rather that as economic construction developed, the amount of commodity grain needed also increased steadily. The existence of a free market under leadership of state-owned businesses was completely necessary; however, the speculation and profiteering of privately owned grain businesses could hardly be completely avoided. Should such problems recur in grain work, contradictions would be bound to become sharper. This situation also showed that the key to calming the people's livelihood and continuing to stabilize the grain situation in order to insure that construction could be carried out smoothly lay in the use of various methods to get a certain amount of grain from the peasants. Consequently, in early 1952, Chen Yun proposed ideas for requisition grain procurement in his "Report on Policies and Tasks in Financial and Economic Work During 1952" to the Central Committee. In this report, he explained that "inasmuch as China will not be rich in grain for some years to come, and since the urban population will increase year by year, the government must have grain reserves (against famine and for foreign trade); therefore, requisition grain procurement was necessary. By making the people fully understand the significance of requisition procurement, by instituting fair and equitable prices, and by buying only a portion of peasants' surplus grain, requisition procurement would be workable. First, preparatory work should be done now, cooperatives mobilizing for procurement and local governments issuing orders for requisition procurement during the 1952 summer harvest, with the emphasis on trial operation to test results. Should the experiments be successful, requisition procurement would be expanded for the 1952 fall harvest and be gradually implemented throughout the country." Although there was insufficient time for this plan to be instituted throughout the country in 1952, the basic principles enunciated at that time were fully expressed in subsequent implementation of planned grain procurement policies.

A look back at the road taken to solve China's grain problems during the period of national economic revival, and a summarization of the lessons of experience in grain work during this period enables one to understand in a profound way the important position and role of the grain problem in the national economy. So long as the conflict between production and need and between supply and demand remained to be solved, the grain problem had to be taken firmly in hand with no slackening of efforts. When talking about the problems that had occurred in grain work at the end of 1952, Zhou Enlai said in the summary he delivered to the national financial and economic conference that, "For some time to come, the country's grain situation will be one in

which grain output and increase in the amount of commodity grain lag behind the increase in the country's and the people's needs." He noted profoundly that, "Clearly the grain problem cannot be even slightly neglected. Nevertheless one need not be negative and pessimistic, thereby causing artificial apprehensions. One has to recognize that despite the country's grain difficulties, there are always ways that they can be solved." This showed that solution to China grain problems would be a long and arduous task.

### Adoption of State Monopoly Policy

40060636G Beijing Dangdai Zhongguo De Liangshi Gongzuo [China Today: Food Grain] in Chinese 1988 pp 67-103

[Chapter 3: "The Adoption of the Policy of the State Monopoly for Purchase and Marketing To Ensure the Needs of Economic Construction and the People's Life (1953-1957)" from the book *Dangdai Zhongguo De Liangshi Gongzuo*; Deng Liquan, Ma Hong, Wu Heng, chief editors]

[Text] Following victory in reviving China's national economy, the country entered a new era of large scale socialist economic construction beginning in 1953.

Grain is an important commodity bearing on the national economy and the people's livelihood. In carrying out large scale economic construction, the state had to control available grain and put the supply and marketing of grain on a safe foundation. However, beginning in the last half of 1952, grain became increasingly scarce. The state purchased less than it sold. This went on and on, the deficit steadily widening, and the conflict between supply and demand becoming more acute. In order to solve the grain problem satisfactorily to insure the needs of economic construction and the people's daily life, not only did the state develop grain production vigorously, but also decided to institute planned procurement and planned supply policies in the circulation field. This was a major change that turned free trade in grain into a state monopoly. It was both an extremely important political task, as well as an extremely complex economic job. Consequently, the people regarded centralized procurement and centralized marketing another major campaign following financial and economic centralization in the economic realm during the period immediately following founding of the Chinese People's Republic, and they termed it the second major campaign.

### Section I. Imperative Need for the Implementation of the Policy of the State Monopoly for Purchase and Marketing of Grain

#### A. Grain Shortage

When the state began large scale economic construction in 1953, the need for commodity grain increased steadily, but the grain situation at that time was very much unable to meet the need. Grain output in 1951 was

25.75 percent higher than in 1949, and close to the all time annual high. In 1952, grain output reached 327.8 billion jin surpassing the all time annual high by 9.3 percent, and up 44.8 percent from 1949. Nevertheless, the nationwide per capita amount of grain was only 570 jin in 1952, still a rather low level, and far from meeting real needs. At the same time, despite the fairly rapid increase in grain output, the rural population, which accounted for more than 80 percent of the country's total population, and which lived in a state of starvation and semistarvation for a long time in old China with nothing to eat but chaff and wild herbs for half of each year, required more grain as the peasants' standard of living rose with the revival and development of agricultural production following the founding of New China. Figured in terms of 1952 constant prices, peasant earnings in 1949 were 32.6 billion yuan (converted to the new renminbi following the 1955 currency reform, and the same applies hereinafter). In 1952, earnings increased to 48.4 billion yuan in a 15.8 billion yuan increase. The peasants used most of their increased income to improve their livelihood, principally increasing their grain consumption. Statistics show a peasant grain consumption nationwide of 370 jin per capita in 1949, increasing to 444 jin in 1952 for a 74 jin per capita increase.

In 1952, the nation's rural population stood at 503.19 million, and grain consumption increased by more than 37 billion jin. Since their standard of living had risen comparatively, some peasants stored excess grain as a hedge against crop failure and famine, and others hoarded it to wait for the right price before selling. Consequently, despite the relatively fast increase in grain production, the peasants retained a substantial portion of the increased production for their personal consumption and as a reserve. This kind of self-sufficiency production meant that not only did the amount of commodity grain that the state needed not rise as production increased, but rather it fell. The amount of grain sent to market and obtained through requisition procurement as a percentage of gross output was 28.2 percent in 1951, dropping to 25.7 percent in 1952. On the other hand, social demand for grain increased dramatically. In 1953, the urban population stood at 78.26 million, up 20.61 million from 1949. Nationwide, 10.6 percent of the population lived in cities and towns in 1949; by 1959, this figure had increased to 13.3 percent. This increase in urban population, natural increase aside, came out of rural villages. The population that entered cities from rural villages produced the grain it consumed when it lived in the countryside, but once it entered cities, it required state-provided commodity grain. Additionally, as economic construction proceeded, the cash crop growing area expanded steadily, peasants growing cash crops and other grain-short peasants numbering nearly 100 million, and also needing state-supplied grain. This meant that the state's burden in supplying and marketing grain became greater and greater. Though the conflict between grain production and need in China was ameliorated for a short period of

time during the period of national economic revival, it began to become more intense again. When free grain markets existed, some opportunistic merchants capitalized on the sharp conflict between grain production and demand to stir up trouble, to buy grain preemptively, and to contest markets with state-owned grain departments. In Sunan Prefecture in Jiangsu Province, speculators employed disguised price increases and preclusive buying to snap up the new rice crop. During October and November 1952, purchases by private merchants accounted for more than 90 percent of the total in some places. At Ji'an City in Jiangxi Province, all of the paddy-reaching market during the 5-day period between 18 and 22 December 1952 was purchased by private merchants. In 1953, when the soybean crop went to market in the counties comprising the Xuzhou Special Administrative Zone in Jiangsu Province, state-owned grain departments and cooperatives agreed promptly to purchase it at a fair price, but illegal private merchants Wang Yuyi [3769 7183 5902], Ma Yanqing [7456 1750 3237], Chen Sheng [7115 3932], and Huang Rong [7806 2837] rushed in from Wuxi and Suzhou to make preemptive purchases. They colluded with local grain merchants and grain dealers to go into rural villages to buy up the grain. One of the merchants, Wang Yuyi, set up more than 10 "agent shops" at market towns in Pei County and Xinyi County, preemptively buying more than 500,000 jin of soybeans. By jacking up prices, Chen Shen bought up more than 60,000 jin of soybeans at one time. Illegal private markets also brazenly purchased young grain crops in the fields. In 1953 when the old crop was depleted before the new crop was harvested, private merchants bought more than 130,000 jin of grain crops still in the field at Yaohe Township, Qianjiang County, Hubei Province. A Wenzhou Prefecture Office Grain Bureau survey of 36 villages in Pujiang Township in Wenzhou Prefecture, Zhejiang Province showed that 74 percent of the peasants had sold grain crops still standing in the fields. Grain speculators paid between 20 and 30 percent less than parity price for prepurchased immature crops, and sometimes more than 40 percent less. In buying up grain, private grain merchants everywhere also had a strategy for doing combat with state-owned grain departments. They went from centralized to decentralized purchases, from open to concealed purchases, and from purchases in cities to purchases in rural villages. These speculative grain markets seriously interfered with realization of state grain procurement and marketing plans, and led to an even sharper conflict between production and demand for grain.

For the foregoing reasons, state grain procurement plans could not be fulfilled, and marketing plans were greatly damaged. In many places throughout the country, preclusive buying of grain occurred beginning during the second half of 1952. In Luoyang and Xuchang prefectures in Henan Province, for example, the masses rushed to sell cotton and live hogs, and to buy up wheat. By December, the situation had worsened, the craze to buy up grain spreading from some prefectures throughout all Henan Province. This grain situation continued to

unfold everywhere during the first half of 1953. As many as 1,000 people lined up regularly at every supply station in Nanyang City in Henan Province to buy up goods. At Baipu Town in Rudong County, Jiangsu Province, 10,000 people presented a petition demanding to sell off their cotton and live hogs in order to buy up grain. The craze to buy up grain skewed parity prices and market prices. During the spring of 1953, the market price of miscellaneous grains [other than wheat and rice] in Jiangsu Province was 15 percent higher than the parity prices, and 30 percent higher in some places. In Henan, Jiangxi, Anhui, Shandong, Shanxi, Hebei, and Shaanxi provinces, the market price of grain was a general 10 to 20 percent higher than parity price. Since the market price for grain was higher than the parity prices, the state was unable to purchase grain in grain producing areas. In Ganzhou Prefecture in Jiangxi Province, for example, the list price for paddy was 5.05 yuan per 100 jin, but private traders jacked the price up to between 5.50 and 5.80 yuan. As a result, state grain purchases fell from 70 percent of the market total to only 2.9 percent. In the grain producing areas of Hunan and Hubei provinces, state grain procurement fell from between 60 and 70 percent of the market total to between 10 and 30 percent. This situation became worse and worse by the time of the summer harvest. In disaster areas, and in small cities and towns, a tumultuous situation occurred. In some places, thousands or even as many as 10,000, people stood in long lines at state grain sale stations to buy up grain. State grain departments purchased little, but sold much, so the deficit widened dramatically. Nationwide grain procurement during 1952 increased only 14.6 percent over 1951, but sales increased 44.7 percent. By 1953, the deficit between grain procurement and sales was more serious. On the eve of requisition procurement and requisition sales in October, grain sales volume nationwide was 31.3 percent greater than in 1952, with rice sales increasing 59.5 percent. In specific places, this sales situation was more pronounced. In the grain producing areas of northeast and south central China, for example, comparison of October 1953 with October 1952 showed an increase in grain sales. In the northeast, the increase was 43.2 percent, including a 91.1 percent increase in miscellaneous grains. In south-central China, the increase was 44.9 percent, including an 80.6 percent increase in rice. Grain sales were increasing rapidly throughout the country, yet procurement was unable to fulfill plan. For example, although grain procurement in September 1953 was 27 percent more than during the same period in 1952, only 80.1 percent of plan was fulfilled. In northwest China, only 46 percent of plan was fulfilled. In Beijing and Tianjin, wheat flour was in short supply and becoming more scarce with each passing day.

#### **B. The Implementation of the Policy as the Only Choice After Weighing the Advantages and Disadvantages**

With such a grim grain situation, solution to the grain problem became an extremely serious task that the CPC and the people of the whole country faced at the time. At this critical juncture, Chen Yun, a deputy premier of the

State Council and concurrently chairman of the State Finance and Economic Committee, was commissioned by the CPC Central Committee and the State Council to make a detailed study and to recommend countermeasures to be taken. He widely solicited views in all quarters, concluding after penetrating investigation and study that four relationships in the grain issue required handling. These were: the relationship between the state and the peasants; the relationship between the state and consumers; the relationship between the state and merchants; and the relationship between the central government and local governments, and between one local government and another. Of these four relationships, the first two were difficult to handle, and the most difficult one was the first. If the first relationship could be handled well, all the others could be managed. Nevertheless, good handling of the relationship between the state and peasants, and between the state and consumers, particularly the relationship with peasants, was an extremely thorny problem. He presented a vivid analogy: "I am carrying explosives on a shoulder pole. On the front end are black explosives, and on the back end are yellow explosives. If I can't get grain, the whole market will be upset. If I resort to requisition procurement, the peasants may oppose it. No matter which of the two is chosen, both are dangerous stuff." Because the problems were complex and thorny, Chen Yun considered meticulously, carefully, and completely the choices to be made following his investigation and study, devising eight different plans, which he then compared, weighing the advantages and disadvantages and the gains and the losses, concluding the most suitable action to be requisition grain procurement in rural villages, and grain rationing in cities and towns. The Finance and Economics Committee of the State Council held a nationwide grain conference in Beijing from 10-12 October 1953 at which Chen Yun presented a detailed report on the basic grain situation throughout the country, and offered eight different concrete plans for consideration to solve the grain problem. These eight different plans were as follows: 1) both requisition procurement and rationing, meaning requisition procurement in rural villages and rationing in cities; 2) rationing without requisition procurement, meaning only rationing in cities, but no requisition procurement in rural villages; 3) requisition procurement without rationing, meaning only requisition procurement in rural villages without rationing in cities; 4) no change, meaning free selling and free buying as was presently being done; 5) doing nothing until absolutely necessary, meaning to allow free buying to go on, instituting requisition procurement in grain producing areas only when there was no other real way out; 6) mobilization of subscription procurement, meaning handing down a quota and calling on everyone to offer to buy; 7) contract advance procurement, meaning signing advance procurement contracts for contract grain procurement; and 8) everyone going his own way, meaning each local government doing as it sees fit. Chen Yun recommended adoption of the first of these eight different plans. He said, "It appears that only the first of the foregoing methods can be implemented: both

requisition procurement and rationing meaning requisition procurement in rural villages, and rationing in cities. None of the other plans is workable." As to how to implement "both requisition procurement and rationing" of grain, Chen Yun offered four plans and policies at the national grain conference as follows:

First, institute requisition procurement in rural villages. All rural villages, except places growing no grain and places not marketing any grain, should adopt requisition procurement. A fair price should be paid for requisition procurement.

Second, institute a fixed-grain ration in cities. Grain rationing should be instituted quickly in cities and towns throughout the country, coarse grades being supplied first and fine grades later. Speaking about the advantages of rationing, he said, "the greatest advantage is people's minds will be set at ease. It will also prevent the outflow of grain and halt grain hoarding in cities."

Third, rigorous control of private merchants. Essentially, the state is to deal in grain, private merchants only being allowed to run agent shops. He listed five targets practicing grain speculation as follows: First is privately owned grain processing plants; the second is grain shops; the third is privately owned grain mills; the fourth is grain merchants involved simultaneously in various aspects of grain dealing; and fifth is grain dealers. None of these five categories should be allowed to deal in grain.

Fourth, readjustment of internal relationships. Internal relationships as used here means relationships between the central government and local governments, and among local governments in grain control. Two "defects" are to be changed through readjustment, namely changing the defect of local governments having no enthusiasm and taking no responsibility during the previous centralized control, and the need to change defects that occur following assignment of responsibility. The central government should do central planning, and local governments should bear responsibility level by level.

Following Chen Yun's speech, Deng Xiaoping made some supplementary remarks. He pointed out that the four policies of rural requisition procurement, city and town rationing, rigorous market control, and centralized control are interrelated and indispensable. He also stressed that only resolute implementation of this method could genuinely consolidate the alliance between workers and peasants, guide the peasants in moving toward socialism, and insure implementation of state construction plans.

After hearing Chen Yun's views, leading cadres at the conference from all administrative regions in the country diligently discussed and studied them. In view of specific circumstances in their own regions, they unanimously agreed that institution of requisition procurement and rationing was the best plan for straightening out the conflict between grain production and demand.

As a result of discussions on 7 October in advance of the East China Region Conference, as well as the plans and policies that Chen Yun raised in his speech, Tan Zhenlin concluded that requisition procurement and rationing were imperative under the circumstances. Sales of grain in excess of purchases, and the grain shortage situation in East China had unfolded from north to south, being most serious in Shandong Province. This shortage situation had crossed the Long-Hai Railroad, and unless action were taken, it would descend upon the region south of the Chang Jiang "like a million ferocious lions." The basic difficulty lay in peasant reluctance to sell, and mischief making on the part of private grain businesses. In the realm of grain control, he approved central government centralized control and centralized allocation; local governments being responsible for requisition procurement, storage, and supply and marketing, responsibility being taken level by level.

Li Xiannian began by outlining the attitude toward requisition procurement and rationing of all the provinces in the south central region. He said, "At first, Hubei and Hunan supported it; Guangdong and Guangxi were hesitant; Henan vacillated, and Jiangxi's attitude was not clear. Later on, Henan and Jiangxi also supported it, with only Guangdong and Guangxi, where procurement is still no problem, and which are newly liberated areas, wanting to hold off for half a year. However, Li Xiannian maintained that requisition procurement and rationing in other provinces would inevitably have a ripple effect on grain markets in Guangdong and Guangxi; therefore, it would be best to go along with it. Finally Guangdong and Guangxi agreed. Next, Li Xiannian analyzed the current grain situation in the south central region. Hunan, Henan, and Jiangxi maintained output, Guangdong, Guangxi, and Hubei increasing output. Grain output for the region as a whole rose 4.2 percent over 1952, and the overall situation was good. However, with the new grain year, the situation in which sales exceeded procurement continued to develop, grain becoming scarce. The reasons for this were, first, as the peasants standard of living rose, grain consumption increased; second, grain merchants hoarded; and third, though middle peasants had surplus grain, they stored it to wait for higher prices. Consequently, he believed it was necessary to take administrative action, to intervene in distribution, and to institute requisition procurement and rationing in order to turn around the grain situation.

Li Jinquan [2621 0064 3123], the delegate from the southwest region, fully supported the Central Committee's policy of requisition procurement and rationing. With regard to grain markets, he maintained that the state should use fixed quota requisition procurement, not a surplus grain collection system. The state controlled only between 80 and 90 percent of surplus grain; the remaining 10 to 20 percent of surplus grain was in the hands of the peasants. Furthermore, historically the peasants were in the habit of supply each other's needs, so a complete cutoff all of a sudden, completely closing free markets, might not be possible. A limited amount of

free trade in grain should be allowed. On the private trader issue, Li Jinquan believed that not allowing private merchants to deal freely in grain was an effective way of halting grain speculation, and he completely agreed with it.

Liu Lantao [0491 3482 3447] believed that implementation of a grain requisition procurement and rationing policy was an expression of the CPC general line during the transition period. He said that in the north China region, wheat procurement was only 56 percent fulfilled during the 3 month period, July, August, and September, while marketing plans were greatly exceeded. In Beijing and Tianjin, grain sales during these same three months amounted to half of plan for the entire year; market speculation was rampant; and parity prices and market prices were out of kilter. Thus, action was urgently awaited to stabilize the situation. Li Lantao was completely confident of victory in carrying out a grain requisition procurement and rationing policy. He believed that national laws, fair prices, and a definite limit on the amount of fixed procurement, as well as the whole CPC acting with full force would both get the grain and win over the peasants so long as policies were carried out honestly.

Ulanhu said that the grain situation in Inner Mongolia was better rather good. State assigned requisition procurement quotas could be overfulfilled. The main problems were: first, too low procurement prices. They should be raised to support the producers' interests. Second was transportation difficulties. A compulsory delivery distance should be set, the state paying a transportation fee for deliveries exceeding the obligatory delivery distance.

The delegates from the northeast and the southwest spoke at the conference, completely supporting CPC action on the grain issue. They maintained that without a centralized procurement and centralized marketing policy, the grain situation could not be stabilized. With regard to specific methods of implementation, they offered some ideas based on the situation in their own areas. For example, in the northeast region, Minister of Rural Work Zhang Xiushan [1728 4423 1472] said that in the northeast, prices of agricultural products were rather low, and the price scissors between industrial manufactures and agricultural products was too large. Readjustments should be made.

Following a broad canvassing of opinions on means of solving the grain problem, and following diligent discussion and study at the national grain conference, Chen Yun finally proposed a policy of "both requisition procurement and rationing," i.e., institution of planned grain procurement and planned grain supply, or centralized procurement and centralized marketing for short. Following Chen Yun's presentation of this major decision to the CPC Central Committee, it was immediately supported and approved by Mao Zedong and Zhou Enlai. Then on 13 October 1953, the CPC Central Committee issued "Decisions on Institution of Planned

Grain Procurement and Planned Grain Supply," (hereinafter abbreviated to "Decisions"). Next, the Chinese People's Government State Council drafted "Orders Pertaining To Implementation of Planned Grain Procurement and Planned Grain Supply" (hereinafter abbreviated to "Orders"), which the 194th political meeting passed and published on 23 November. Every province, autonomous region, and municipality under direct central government jurisdiction, except for Tibet and Taiwan, began to implement the "Decisions" and the "Orders" in early December.

## Section II. Monopoly Grain Purchase and Sales Policy and Its Substance

The monopoly grain purchase and grain sales policy included the planned purchase policy and the planned supply policy, as well as a policy of strict state control over grain markets, and a policy whereby the central authorities exercised monopoly control over grain. In the "Decisions," the CPC Central Committee noted that "the foregoing four policies are interrelated and not a single one of them can be dispensed with. Were planned purchase to be exercised without planned supply, the quantities sold in markets could not be controlled. Were planned supply to be exercised with no planned purchase, obtaining sufficient commodity grain would be impossible. Moreover, without strict state control of grain markets and without central government monopoly control, the illegal activities of profiteering merchants could not be curtailed. The artificial mutually antagonistic grain factions would provide profiteering merchants greater opportunities to cause mischief, with the result that neither planned purchase nor planned supply could be exercised." In short, the various policies that comprised monopoly grain purchase and monopoly grain sales were an interrelated totality. They properly handled the relationship between the state and the peasants, the relationship between the state and consumers, the relationship between the state and privately owned industry and business, and the relationship between the central and local governments. At the same time, they showed concurrent concern for the relationship between workers and peasants, the relationship between cities and the countryside, and the relationship between the public and private sectors, giving full expression to a policy of overall consideration and all-around arrangements.

### A. The Policy of State-Planned Purchase of Grain From Grain-Surplus Households in the Countryside (the State Monopoly for Purchase)

The State Council "Orders" provided the following with regard to monopoly grain purchase: "Peasants who grow grain are to sell surplus grain to the state in accordance with state designated kinds of grain to be purchased, purchase prices, and assigned planned purchase amounts." In accordance with this regulation, the targets of state monopoly grain purchase in rural villages were rural grain growing households having surplus grain, and the surplus grain to be monopoly purchased was from

households having surplus grain. By so-called surplus grain households was meant peasant households having grain left over after satisfying their whole family's need for grain rations, seed grain, livestock feed, and payment of agricultural taxes. Generally speaking, the state purchased between 80 and 90 percent of a surplus grain household's surplus grain. Standards governing the amount of grain retained for grain rations, seeds, and livestock fodder were to be set by provinces, autonomous regions, and municipalities under direct central government jurisdiction on the basis of local circumstances, taking account of differences from place to place. Generally, in places producing a large amount of grain and making a large contribution, a somewhat high standard was set for grain rations. Conversely, the standard was lower. This showed a certain amount of give and take in the state's setting of monopoly purchase amounts rather than the purchasing all the surplus grain that the peasants had. The State Council "Orders" provided that surplus grain remaining after peasants fulfilled their monopoly purchase quotas "might be freely stored and freely used. It might continue to be sold to state grain departments and supply and sales cooperatives, or it might be traded at state established grain markets. A certain amount of mutual trading of small quantities among rural villages might also be allowed." This looked after the peasants' interests and promoted their enthusiasm for production. At the same time, it made use of the supplementary role of market regulation in the monopoly purchase and monopoly sale of grain.

The amount of monopoly grain purchase that the state set at that time approximated the amount of grain normally sent to market, making the method truly workable. Nevertheless, this matter had broad ramifications, and when it was first put into effect, some peasants felt uncomfortable about it. The CPC Central Committee pointed out in "Decisions" that "planned grain purchase was a matter bearing on the personal welfare of the broad masses of peasants. Not only would it encounter resistance from opportunistic merchants, and sabotage from counterrevolutionary elements, but unless work were done properly, it could also come up against opposition from some surplus grain households." Therefore, the "Decisions" proposed eight measures for its implementation as follows: 1) The grain price must be fair. State-set purchase prices were generally based on prevailing city sale prices, and on the principle of neither losing nor making money. Following this principle, the monopoly purchase price for autumn grain nationwide would generally be the current purchase list price. Only in neighboring areas of different administrative regions, and in other special places where the grain price was set unfairly, would readjustments be made. At that time, state owned grain businesses had already taken a commanding position in stabilizing grain markets; free market prices were basically the same as state parity prices. In other words, state monopoly grain purchase parity prices were based on natural market prices, making them easier for the broad masses of peasants to accept; 2) Both monopoly purchase prices and the kinds



of monopoly purchased grain had to be uniformly prescribed by the central government in order to set fair regional price differentials and to regulate the comparative prices of different kinds of grain to eliminate the possibility of grain speculation. 3) Monopoly purchase prices had to be fixed in order to overcome peasant inclinations toward holding grain to get a better price. Within the set purchase amounts and purchase prices, peasants could offer their grain for sale in installments and receive payment in installments. They could sell their grain all at one time for a single payment, or they could sell their grain at a single time and receive payments in installments. In the latter case, banks gave fairly substantial interest payments. 4) Along with the institution of monopoly purchase, it was necessary to enhance the supply of materials available in rural villages, and to increase the output of state-owned industries and handicraft industries so that the peasants could use the money received in payment for the sale of grain to buy materials needed in production and in their daily life, thereby helping peasants. 5) The scale of purchase should be fairly large rather than too small in order to help fulfillment of monopoly purchase quotas. 6) Implementation of monopoly purchase should be done to the accompaniment of full political mobilization, and the methods of control figures issued by higher authority, and mass democratic discussion should be employed. At the primary level in the countryside, the control figures should be published so that the masses understood the situation. 7) In moving grain into warehouses, the method used for transporting agricultural tax grain should be used. 8) In order to help poor peasants relieve their hardships, grain purchase payments should not be made in one lump sum. Consideration should be given to prepurchasing grain in 1954. These measures were a concentrated embodiment of state monopoly grain purchase policies, and were of not help grain speculators who hoarded and profiteered from sudden windfall profits. For peasants, including surplus grain households, they provided a fair price and stable prices, supporting the interests of grain producers.

#### **B. The Policy for Planned Supply of Grain to Urban People and Rural People Lacking Grain (the State Monopoly for Sales)**

The State Council "Orders" regarding monopoly grain sales provided that 1) in cities, personnel in government agencies, official groups, schools, and enterprises could receive grain through their organization. For city residents in general, grain purchase coupons could be issued, purchases made against the coupons, or purchases made temporarily against one's household registration. 2) In market towns, cash crop growing areas, disaster areas, and rural villages in general, control numbers issued by government at a higher level should be obtained, this process being accompanied by mass democratic discussion and assessment to enable truly grain-short households to buy needed grain, while also properly controlling the amount of grain sold, and preventing speculation and hoarding. 3) Grain needed for processed food, and grain needed for travelers meals at hotels, on trains, and

on ships, as well as grain used in other industries, should be supplied in fixed amounts on the basis of average amounts required for a previous period. Personal purchasing is not allowed. The "Orders" stipulated that the scope of supply included not only cities above the county level, but also market towns, cash-crop growing areas lacking grain, and grain supplied to disaster victims in disaster areas. At this rate, the city and countryside population for which the state assured grain supply totaled nearly 200 million, more than one-third the total population of the country at that time.

In view of the production and demand situation for grain at that time, the state's planned supply of grain emphasized both provision of different kinds of grain, and the need to conserve grain. The CPC Central Committee's "Decisions" noted that "in planned sales, the provision of different varieties of grain will be an extremely important task. It will be necessary to provide major cities, industrial, and mining areas with suitable quantities of fine grains. However, since the country lacks a sufficient amount of fine grain, it will be necessary to indoctrinate the people to eat whatever is available and to eat grain that is a little crude to help the country manage and coordinate. Grain processing must improve purity and lower fineness in order to save grain. This is beneficial to the people's health." In setting the supply price, the principles should be followed of stabilizing prices, reference to comparative purchase and sale price, and looking after the interests of consumers. The State Council's "Orders" provided that "the planned supply price is currently based on the prevailing retail parity price." When the retail parity price became too high or too low, the "Orders" provided authority to examine and approve readjustments.

The planned supply policy for grain that China adopted differed from the rationing system used in capitalist countries, and it differed even from the rationing system that the Japanese imperialists instituted in occupied areas during the period of their aggression against China. China's supply system differed in that it satisfied the reasonable needs of all sectors of society, prices were fair and stable, and the only ones to come under attack were profiteering grain merchants. Of course, as compared with free purchases, the system was somewhat restricting from the grain consumers' standpoint. Nevertheless, this was a restriction based on insuring reasonable needs; it was a restriction on increased grain consumption. Since China is a socialist country, it had to insure that everyone had food to eat, and insure that planned construction was carried out smoothly. In a situation of low grain production, production being unable to keep up with increased consumption, necessary limitation of grain consumption had to be instituted. Otherwise, it would not be possible to take care of everyone's needs in a planned way, and it would be impossible to control the amount of grain sold. This would be detrimental to the country and the people.



### **C. Exercise of a Policy of Tight State Control Over Grain Markets and Strict Prohibition of Private Business Free Grain Dealings**

Grain is a particularly important good, and the grain business also bears on the national economy and the people's livelihood. Article 28 of the CPPCC common program provides: "All activities pertaining to the national economic lifeline and capable of controlling the national economy and the people's livelihood are to be under central state administration." Thus, monopoly grain purchases and sales were consistent with the spirit of this provision.

State monopoly purchase and sale of grain, strict control over privately owned grain industries and businesses, and strict prohibition of private merchant grain dealings were two aspects of one policy that were mutually complementary and inseparable. The State Council's "Orders" specifically provided as follows in this regard: "All state-owned, local government-owned, joint publicly and privately owned, and cooperative-owned grain shops and grain mills are to be under central leadership of local grain departments. No privately owned grain business may engage in private grain dealings; however, state grain departments may commission them as agents to sell grain under strict state supervision and control. All miscellaneous grains (local nonmajor grains) are, in principle to be under central state administration. Until such time as the state institutes centralized administration, privately owned grain businesses may deal in them temporarily under strict state supervision and control. No privately owned grain processing mill or rustic milling or grinding business may itself purchase raw materials or sell finished products. They may only be commissioned to do processing by state grain departments, or to act as sales agents to consumers under state supervision and control, engaging in processing in accordance with state-set processing standards. Should an urban resident who has bought grain under state plan supply receive too much or too little, or should it be necessary to exchange one kind of grain for another because of the consumers' customs, the consumer may go to a state designated shop or cooperative to sell it, or go to a state grain market to make an adjustment. In order to increase market control and stamp out speculation, governments at all levels should organize departments concerned to carry out regular inspections and supervision. Speculators who violate state laws must be punished severely. Counterrevolutionaries who sabotage plan procurement and plan supply are to be punished in accordance with People's Republic of China laws pertaining to the punishment of counterrevolutionaries." This provision prohibited privately owned grain industries and businesses from dealing freely in grain; however, it permitted and organized them to engage in business activities as sales or processing agents under state supervision and control, bringing them under state plan. This both placed in service to the people their activities that helped the national economy and the people's livelihood, and also limited their activities that

did not help the national economy and the people's livelihood, causing them to accept socialist transformation.

### **D. Implementation of a Grain Policy in Which the Central Government and Local Governments Share Responsibilities Under Central Government Monopoly Control**

China is a vast country with a huge population in which the apportionment of grain is bound to be restricted by natural and manmade factors. Grain output varies greatly from place to place. In some places, people got between 700 and more than 1,000 jin per year; in other places, they got only 100 or 200 jin per year. An extremely great disparity existed in grain surpluses and shortages. In terms of demand for grain, the state not only had to supply the total need for grain of cities and industrial and mining areas, but it also had to supply needed grain to tens of millions of peasants in cash crop growing areas. Every year tens of millions of peasants suffered natural disasters in varying degrees, and there were tens of millions of peasants in rural villages who lacked grain, all of whom had to be supplied with supplementary quantities. Consequently, it was objectively necessary to have a corresponding grain control system for equitable apportionment, good apportionment, and proper control. In this way, the people of the whole country could get the grain they needed and the need for grain by all sectors of society could be equitably satisfied in response to the increase in large scale economic construction. Otherwise, very many people would lack grain, and grain from surplus grain areas could not circulate normally to the detriment of consumers and producers alike. Without doubt, this would be extremely bad for socialist economic construction.

In order to insure that planned grain purchase and planned grain supply were carried out, the CPC Central Committee instituted a grain control system of "monopoly control, and centralized direction and movement." The "Decisions" provided that "all plan and policy decisions, all purchase and supply amounts, purchase standards and supply standards, and purchase prices and supply prices, must be centrally prescribed by or approved by the central government, local governments suiting general methods to specific circumstances and sharing responsibility within these set plans and policies to insure their implementation." The "Decisions" explicitly directed as follows with regard to the specific division of labor between the central government and the local authorities: "1) The State Planning Commission promulgates the control figures for grain purchase and supply plans, all administrative regions preparing plans on the basis of these control figures and the local situation, and submitting them to the central government for approval, after which they are responsible for purchase, supply, and storage in accordance with plan. 2) All grain supplied to administrative regions according to plan becomes the responsibility of administrative regions for control and apportionment. 3) All grain other than grain allotted to each administrative region,

including grain that each administrative region is to apportion, export grain, reserve, grain, grain for discretionary use throughout the country, and nationwide disaster relief grain reverts to the centralized control of the central government. 4) Should an administrative region encounter some difficulty that it is unable to surmount, the central government bears responsibility for providing a solution. 5) When the central government believes it is necessary and possible to take a certain amount of grain from a jurisdiction, that jurisdiction must acquiesce in the central government's movement of the grain. 6) Administrative regions are to propose plans for planned supply standards, submitting them to the central government for approval. 7) When the central government centrally sets grain prices for large and medium size cities, and for adjacent areas in different administrative regions, both the administrative region and provinces are to set grain prices for other cities and towns following the principles that the central government used in setting prices, submitting them to the central government for approval." These regulations pertaining to the state grain control system specifically spelled out the limits of control authority of the central government and local governments. This control system was in keeping with the overall national economic control system. It both helped the central government centrally direct and manage grain, and it also helped local level-by-level control to insure equitable state grain allocation.

### **Section III. Implementation of the Monopoly Grain Purchase and Monopoly Grain Sales Policy**

#### **A. Whole Party Acts To Propagandize Implementation; Peasants Eagerly Sell Surplus Grain**

Implementation of the monopoly grain purchase and monopoly grain sales policy was of major importance in supplying food to 500 million peasants and 80 million city and town residents. Therefore, the CPC Central Committee's "Decisions" stressed the need for "the whole party to act, sparing no effort." It called for "the holding of a series of meetings, first within the party, in which the rationale is explained to cadres at all levels and all party members. They should then explain the rationale to the peasants...large numbers of capable cadres able to understand policies being sent to rural villages for the purpose. Except for a small number of people left behind to handle day-to-day work during the period of planned purchase, comrades in charge in central government bureaus, provincial committees, prefecture committees, and government at all levels should personally go to the grassroots level to study the situation, gain an understanding of policies, create and promptly spread experiences, and do all possible to reduce deviations and errors. It is particularly necessary to give extremely close attention to the approximately 10 percent of backward areas and backward villages in the countryside, and to send capable cadres to these places to remain for a time, because these places are the ones most prone to disorderliness." Such carefulness on the part of the CPC

Central Committee in handling monopoly grain purchase and sales had as its goal both getting grain to even out surpluses and shortages and balance production with demand, and also proper handling of the state's relationship with the peasants.

All provinces, autonomous regions, and municipalities under direct central government jurisdiction throughout the country (Tibet and Taiwan excepted) began to carry out the monopoly purchase and sales policy in rural villages at the end of November and the beginning of December 1953. Acting in accordance with the CPC Central Committee instruction for "the whole Party to act, sparing no effort," all jurisdictions organized forces vigorously and speedily and went to rural villages to mobilize and organize. An overwhelming majority of CPC and government leaders in the South Central Administrative Region and its six constituent provinces of Henan, Hubei, Hunan, Jiangxi, Guangdong, and Guangxi, the capable hands taking the lead, organized a total of more than 3.3 million cadres and activists at all levels in the administrative region, provinces, prefectures, counties, districts, and townships who, following a short training period, went to work in the rural villages. In the North China Administrative Region, Shanxi Province alone fielded a force of more than 1.3 million. Other administrative regions and provinces organized millions of people. The specific way in which they did their work was for all jurisdictions in each county to convene an enlarged meeting of cadres from the county, districts, and townships. This was followed by a large meeting of CPC members and Youth League members, and a meeting of activists from a district or a number of townships. This was followed by the convening of a township CPC grassroots Party organizational meeting and a people's representative assembly as a basis for the holding of mass meetings. In every meeting, "Key Propaganda Points For Monopoly Grain Purchase and Sales" drawn up by the CPC Central Committee was used as guidance for concentrated propagandizing of the CPC's general line and general mission during the transition period, and the correlation of monopoly grain purchase and sales to the general line and the general mission. In addition to convening various kinds of meetings for pervasive level-by-level implementation, all jurisdictions also used other methods to conduct propaganda in a coordinated way. In Sichuan Province, for example, the Bureau for the Control of Cultural Matters fielded 82 film projectionists with slide projectors and slides containing pertinent propaganda to go from door to door in villages to show them. The same bureau also organized large numbers of theatrical personnel, musicians, and folk artists to go into residential areas and fields to perform and sing, propagandizing requisition grain purchase and sales policies to the peasants. Sichuan Province also published and circulated more than 3 million booklets containing propaganda materials, which they disseminated in rural villages as part of the propaganda effort. One district in Guanyang County, Jiangxi Province prepared an exhibition of pictures and objects, which it showed in rural villages. The exhibition

was divided into three parts as follows: The first part was about why the state should buy grain; the second part was on increasing production and economizing consumption in order to sell more surplus grain to the state; and the third part was on how peasants could best use the money obtained from grain sales. Guides used pictures and displays to analyze and explain each part for excellent results. Party branch secretary Fan Shuangde [5400 7175 1795] from Renhe Township in the same district said, "At first I did not understand the reason for the state's implementation of monopoly purchase and monopoly sales, but after looking at the exhibit, I got an education. I will be sure to return and stir the masses to sell their surplus grain." As a result of propaganda in various forms, by mid-December, the monopoly grain purchase and sales policy became virtually a household term everywhere in the country. Everyone knew about it. This foundation, together with propaganda, gradually stirred the peasants to report the amount of surplus grain they had for sale, and to begin democratic discussion and appraisal. During this period, CPC members, Democratic Youth League members, district and township cadres, and activists in rural villages everywhere set a personal example, took the lead in responding, and eagerly sold their surplus grain. For example, Communist Party member Fei Lianfa [6316 6647 4099] from Zhujia Village in Shuangliao County, Liaoxi Province, who was a mutual aid group leader, mobilized the 14 households in his group to sell their surplus grain ahead of schedule. In Daxi Village, Jiaohe County, Jilin Province, after selling 2,500 jin of surplus grain that he was supposed to sell, Wang Sihui [3796 1835 1920], a model worker in the family of an army man and a people's delegate, got the peasants throughout the village to sell more surplus grain. Just 14 households sold 8,630 jin more than the original plan called for. After selling more than 1,000 jin of surplus grain, national agricultural labor model Lu Hongbin [0712 7703 6333] wrote a letter to Chairman Mao expressing his resolute support for the monopoly grain purchase and sales policy.

Thanks to the pervasive propaganda and indoctrination, the broad masses of peasants firmly supported the monopoly grain purchase and sales policy. Spurred on by CPC members, Democratic Youth League members, district and township cadres, and activists, they eagerly sold their surplus grain. By February and March 1954, as each area concluded its monopoly grain purchase work in turn, the amount of state grain requisition purchase for the 1953-54 grain year was 29.3 percent greater than for the previous grain year for the victorious fulfillment of the monopoly grain purchase for the year and the stabilization of the grain situation at one fell swoop.

After monopoly grain purchase work was substantially finished everywhere in the country, rural monopoly grain sales began shortly afterward. Acting in the spirit of the CPC Central Committee "Decisions" and the State Council's "Orders," each jurisdiction began this task by arousing the masses just as they had done for monopoly purchase. In most cases, this began during February and

March 1954, and by the end of May monopoly grain sales appraisal and coupon issuance was completely finished for victorious completion of rural monopoly grain sales work.

#### **B. The Practice of the Policy of the Fixed Quotas for Grain Production, Purchase, and Sales in the Countryside**

Rural monopoly grain purchase and grain sale during the 1953-54 grain year was founded on "the whole party acting, sparing no effort, and full political mobilization, and it was carried out in accordance with the provisions of the CPC Central Committee "Decisions," "adopting the method of higher authority issuing control figures, and the masses carrying out discussion and evaluation." Under the conditions at that time, this method helped educate the peasants and was helpful in suiting general methods to specific situations for the completion of tasks in a fairly realistic way. The problem lay in the lack of specific means for determining which peasants had a surplus or a shortage of grain, which could easily lead to precipitate action that required some peasants to sell too much grain while backward peasants hid grain without reporting or underreporting it, thus not selling all they should. In supplying grain as well, there were instances of supplying too much or supplying too little. These were the main problems encountered during the first year of monopoly grain purchase and sales. During the 1954-55 grain year, area-by-area summarizations of the lessons of experience of the previous grain year formed the basis for rural monopoly grain purchase. An evaluation of each peasant household's grain output was made, standards set for the amount of grain peasants could keep, and the surplus grain held by each peasant household calculated. This was done in conjunction with democratic discussion and evaluation to set figures for peasant household grain sales. This solved substantially the main problems that existed during the previous grain year. However, since the job of determining peasant grain sale quotas was done after the grain harvest, from the time that they sowed their crops until they harvested them, peasants lived with uncertainty. Surplus grain households did not know how much grain they would have to sell the state, and grain-short households did not know how much grain they could buy from the state. In addition, during 1954 a serious flood such as occurs only once every 100 years occurred in the Chang Jiang and the Huai He basins, reducing grain output. In order to use grain from bumper crop areas to supplement grain in lean crop areas, evening out surpluses and shortages, the state purchased an additional 7 billion jin of grain from nondisaster areas. The reduction of grain output in disaster areas, and the increased grain purchase in nondisaster areas of the country resulted in a revival of grain scarcity. By the spring of 1955, virtually everybody talked about grain in many places, and every household wanted to buy monopoly marketed grain. In some rural villages in certain provinces in the south central, northeast, and north China regions, both peasants who did not lack grain and those who did clamored for the state to supply them grain, with the result that the amount of

grain that the state sold increased abnormally. For example, sales of grain in some provinces during March equaled the grain consumption of two thirds of the province's entire population, and in some counties the state supplied the entire amount. Obviously such supply exceeded the real needs of grain-short people; some of it must have been false. A Henan Provincial People's Committee survey report of 412,944 households in all kinds of areas throughout the province showed 19.3 percent as being households that should not have been supplied or that should have been supplied less. The supply to these households amounted to 23.2 percent of the total amount supplied. The foregoing situation showed that excessive state grain purchases in nondisaster areas during the second grain year in which monopoly grain purchase and sales was practiced caused instability in the rural grain situation. Thus, excessive monopoly grain procurement, and many rural villages falsely claiming a grain shortage, were the main problems faced during the second year of monopoly purchase and monopoly sales.

In order to solve the problem of falsely claiming a grain shortage, and correct the abnormal rise in the amount of grain sold, on 18 April 1955 the CPC Central Committee and the State Council issued "Instructions On Accelerating Rectification of Monopoly Grain Purchase and Sales Work," after which every jurisdiction in the country immediately sent tens of thousands of cadres into the countryside to conduct rectification. Again, they publicized the significance of monopoly grain purchase and sales and called upon the people to help the government do this work well. In dealing with those peasant households who called for grain supplies, they proceeded from realities, conducting discussion and evaluation, examination and verification, those requiring supply receiving it and those not requiring supply not receiving it, stabilizing the rural grain situation once again.

In order to calm the peasants, encourage production, and increase grain output, on 3 March 1955 the State Council decided to try out nationally fixed grain production quotas, fixed grain purchase quotas, and fixed grain sales quotas (abbreviated to "three fixed"), calling on the whole country to set regular planned output for each household in all townships, and for the amount of monopoly grain purchase and grain sales in all townships. It also called for publicity to be directed at the peasants so that every peasant household would know whether it was a grain surplus or a grain shortage household, every grain surplus household knowing how much grain it had to sell to the state, and every grain-short peasant household knowing how much grain it could buy from the state so that everyone would have all the facts. This plan received enthusiastic support from the broad masses of peasants, and powerfully encouraged peasant enthusiasm for production. For example, when Xiaoqiao Village in Sushan County, Zhejiang Province received this news on 14 March, peasants all over the village became jubilant and ran about telling each other: "The Communist Party has started another

good policy." After peasant Wang Miaoxing [3076 1181 5281], who was in the field opening up furrows and banking soil around the wheat, heard this news, his former misgivings about the monopoly grain purchase and sales policy disappeared, and he could not help but put down his hoe and go running home from the fields pellmell laughing and saying, "The Communist Party has found a good solution. They really know what we farmers are thinking!" That evening the village agricultural production cooperative, mutual aid groups, and peasants doing their own farming held separate discussion meetings at which they discussed the "three fixed" grain policy. Everyone was in high spirits, and the meetings were very spirited. Middle peasant Wang Fukang [3076 4395 1660] said, "The 'three fixed' are a good idea. I plan to close-plant an additional 2 mu of small plants this year and apply 10 loads of mud fertilizer to the fields to grow more grain." Shushan Agricultural Cooperative chairman Wu Zhaokeng [0709 2507 0977] said, "Now that we have this method, this year our cooperative will be better able to change more smoothly to the growing of successive rice crops." Following the meeting, this agricultural production cooperative organized more than 30 members within 3 days to go to to sweep up three loads of garbage weighing more than 10,000 jin from the streets of Sushan to increase the amount of fertilizer for spring plowing and production. Practice with the "three fixed" demonstrated this method played a very great role in calming the peasant's minds and feelings, and in promoting production. The peasants universally supported them. Consequently, the "Temporary Methods for Rural Monopoly Grain purchase and sales," (abbreviated to "Methods"), were discussed and approved by the seventh meeting of the State Council on 5 August of the same year, and an order was formally issued on 25 August promulgating the "three fixed" method in rural grain production as a law. This further stabilized the rural grain situation, and promoted the development of agricultural production.

The State Council's "Methods" provided that, "In rural monopoly grain purchase and sales, each peasant household's grain output should be verified, and separate standards for grain use set for all categories of peasants and for rural residents who do not grow grain, the amount of grain used to be calculated by the month. For all peasant households that produce grain, after reducing the amount of grain used and actual tax payments in grain based on verified grain output, those having surplus grain are surplus grain households; those who have neither a surplus nor a shortage are self-sufficient households, and those lacking grain are grain-deficit households. Rural residents who do not produce grain are also grain-deficit households. The state will verify grain sales quotas for surplus grain households and carry out monopoly purchase. For grain-deficit households, it will verify grain supply amounts and carry out monopoly supply. For self-sufficient households, it will carry out neither monopoly purchase nor monopoly supply."

Regulations pertaining to fixed grain production quotas, fixed grain purchase quotas, and fixed grain sales quotas provided as follows:

*Fixed production quotas.* Peasant household grain output was figured for each household on the basis of normal year grainfield yields per unit of area, and the production quota set on the basis of field quality in combination with other farming conditions. For all grain fields from which the 1955 harvest was normal, the normal year yield was to be made the basis for that year's actual yield. For grain fields that produced a bumper or a lean harvest in 1955, the normal year yield was to be figured on the basis of normal year yield. The normal year grain field yield per unit of area set in 1955 was to remain without change for 3 years. Were yields to increase, there would be no increased purchase, and grain grown on ridges between fields, and on vacant land on threshing fields or house foundations was not calculated in the yield. After yield was determined, the yield for newly reclaimed land would be figured from the day the first harvest was brought in to remain unchanged for 3 years.

*Fixed purchase quotas.* State monopoly purchase of grain from surplus grain households generally applied to between 80 and 90 percent of the surplus grain (figured in terms of the surplus grain remaining from the amount of fixed production after deducting for seed grain, grain rations, and livestock feed grain based on grain use standards set by each province, autonomous region, and municipality under direct central government jurisdiction, as well as the actual amount of grain used for payment of agricultural taxes), a single, rather than progressive, percentage being set as the purchase grain rate. The grain purchase rate for surplus grain from rich peasants was to be set appropriately higher. All surplus grain grown by state-owned farms or local government state-owned farms had to be sold to the state except for grain retained to meet needs in accordance with prescribed standards for grain use.

*Fixed sales quotas.* Grain use standards for all categories of grain-deficient households were set by individual provinces, autonomous regions, and municipalities under direct central government jurisdiction. The principle used in setting them was that seed grain should be supplied on the basis of actual needs. Standards for supplying grain for household grain rations and livestock feed in grain producing areas having a grain deficit were to be generally somewhat lower than the standards for local surplus grain households. Standards for supplying grain for household rations and livestock feed when a household incurred a grain deficit as a result of having grown industrial crops according to state plan should be no lower than the grain use standards for local grain surplus households. Grain supply to all categories of grain deficit households should follow the principle of the time of the grain deficit and the time of supply, the time when supply to each household was to begin and a monthly supply plan arrived in each case, supply being made according to plan. Rural monopoly grain supply was to be figured once yearly.

Before formal publication of the State Council "Methods," the "three fixed" for grain were widely publicized to the peasantry, gaining their universal support. Nevertheless, one common fear was that yields would be set too high, and they would have to sell too much grain. Quite a few people said, "The policy is excellent; let us see how it works," "saying that something is good does not make it good; only when it works well can it be considered good." These peasant fears aroused the universal concern of governments at all levels, and after the "Methods" were published, extreme diligence was exercised in carrying them out. For example, in Jiangsu Province, forces were organized under leadership of the Jiangsu Provincial CPC Committee to go into rural villages to publicize widely to the peasants the provisions of the "Methods," how fixed production quotas, fixed purchase quotas, and fixed sales quotas worked, as well as the reasons for them being explained in detail to enable the peasants to express their real thoughts, reveal their true feelings, and report their actual output. Simultaneous with this pervasive propaganda was a diligent effort to investigate and determine the real situation. From inside the Party and outside the Party, from cadres and from the masses, an indepth effort was made to understand and become thoroughly versed in the quality of the soil farmed by every peasant household, and grain yields over the years and for the current year in order to fix production quotas preliminarily. This information was used as the basis for further specific calculations made with each peasant household, and for setting amounts for the "three fixed." This was followed by democratic discussion and appraisal, and reaching a conclusion for implementation. Because of the thorough and painstaking way in which the "three fixed" task was handled in Jiangsu Province, the peasants universally approved it. In other provinces too, the "three fixed" for grain also proceeded smoothly and realistically. In many places, the peasants called the "three fixed," the "four fixed." Not only was grain production, purchases and sales fixed [or settled], but their minds were also settled. At Lugu Township in the Shijingshan District of suburban Beijing, a peasant wrote a couplet in praise of the "three fixed" that went: "When Chairman Mao called for the 'three fixed,' everyone was happy; when the Communist Party set the 'four keeps,' no one worried." (Note: The "four keeps" refers to peasants keeping ration grain, seed grain, livestock feed grain, and a certain amount of reserve grain as part of monopoly grain purchase and sales). A horizontal scroll set atop the two vertical scrolls bearing the couplet read, "Work Hard To Produce." This peasant's couplet represented the heartfelt support of hundreds of millions of peasants for the "three fixed" in grain.

Statistics showed that the amounts set for the "three fixed" grain policy for all the provinces, autonomous regions, and municipalities under direct central government jurisdiction throughout the country, except for Tibet, Qinghai, Xinjiang, and Taiwan, were a fixed production of 354.7 billion jin (raw grain, and the same applies hereinafter), fixed purchases of 108.33 billion jin

(including requisition purchase of 42.97 billion jin and purchase of 65.36 billion jin), and fixed sales of 20.82 billion jin.

Simultaneous with implementation of the "three fixed" policy for grain, on 11 October 1955, the State Council published "Instructions on Good Performance in Professional Work in the "Three Fixed" Policy For Grain," (abbreviated to "Instructions"), which emphasized that professional work in the "three fixed" policy for grain was one portion of the total job. Not only was it necessary to motivate the masses to do a good job in the "three fixed" policy for grain, but professional work also had to be done really well. Grain departments should bend every effort to do it, take responsibility for doing a good job of professional training, and do a good job in actual professional work. Acting on this "Instruction," grain departments in all jurisdictions worked diligently to build professionalism in rural villages. For example, the chairman of the Hubei Provincial grain department took the lead going into rural villages where he built a professional management system as part of doing a good job in the "three fixed" policy for grain. In order to enable the professional management system to carry on, on the suggestion of the provincial grain department and with support from the Hubei Provincial CPC committee, he set up a system in every township throughout the province, each township designating one person responsible for grain, and known as the "grain control township person." The province appointed a total of 4,479 grain control township personnel. After assigning personnel, the provincial grain department drew up the scope of work and the duties of the grain control township personnel based on discussions of views at a province-wide grain work conference. This enabled the control personnel to become sentries on the grain front, playing an important role in taking firm control of professional grain work at the grassroots level. Other provinces instituted this same method. As a result of having linked the "three fixed" policy for grain to the building of professionalism, a true understanding was gained of the grain surplus and shortage situation in rural villages, and changes in the situation. This reinforced the state's understanding of grain production and the management of grain distribution, rural grain purchases and sales gradually becoming systematized and increasingly perfected.

### **C. City and Town Monopoly Sale Grain Purchases Against Coupons, Fixed Amounts Supplied on the Basis of Verified Number of People in Each Household**

Following CPC Central Committee and State Council promulgation of "Decisions" and "Orders" regarding planned purchase and planned supply of grain, beginning 1 November 1953, all jurisdictions set about planned supply of grain to cities and towns. In the two large north China and northeast regions, in Shandong and Henan provinces, and in five key cities in the northwest region, work began during early and mid-November. In large and medium-sized cities in the south-central and southwest regions, it got under way

after 15 November. In the east China region and in cities along transportation arteries in the northwest, it was done in early or mid-December. In primary level county cities and towns throughout the country it was done before the end of December 1953, except in the northwest and Yunnan Province, where transportation posed difficulties, it was done in January and February 1954.

All jurisdictions carried out planned supply of grain in cities and towns under the unified leadership of the local CPC committee. Usually a special leadership organization was established, which assembled large numbers of cadre for training, and who conducted in breadth and in depth propaganda and indoctrination related to the general line and the general mission during the transition period, going from top to bottom and from inside to outside the organization. This made every household aware of the significance and the importance of planned grain supply. Market control was reinforced at the same time to insure smooth conduct of planned supply. Since the tasks of the supply system were vast and numerous, supply was done in a crude way at first, being fine tuned later. At the beginning, grain purchase coupons were issued only to holders of household registration booklets, the coupons being used to purchase grain.

The use of coupons in purchasing grain was based on grain use plans that residents themselves had worked out and reported to authorities concerned for examination and approval of supply. However, since there was a large amount of work to be done and no supply standards to provide a precedent, mostly the standards used were plans that the residents themselves worked out. The so-called examination and approval was usually just a form. The supply work lacked a needed control system; there were many loopholes in it. Many city and town residents bought more grain than they needed, and some even diverted grain to rural villages. In many places, large numbers of peasants streamed into cities causing a situation of "mouths going into cities for a reversal of grain flow." This caused an abnormal sustained rise in the amount of grain sold in cities, towns, and industrial and mining areas beginning in the last half of 1954. Statistics from Beijing, Tianjin and Shanghai showed that during the 8 month period from September 1954 to April 1955, population increased 5 percent, but grain sales increased by an average 12.64 percent per month. Grain sales in excess of quota resulted not only from normal population growth and increased amounts of grain needed for national construction, but also from a very large volume of sales that should not have been made. In particular, supply to the transient population was carelessly handled. For example, boat people could buy grain using their navigation certificates, their household registration booklets, their voter registration cards, or their rural registration certifications. Some boat people made repeated purchases using first one than the other of these documents, fraudulently buying up state grain. In view of this situation, on 28 April 1955, the CPC Central Committee and the State Council issued "Instructions on Strict Rectification of Monopoly Grain

Sales Work." Acting in the spirit of this instruction, all jurisdictions mounted a general propaganda campaign to conserve grain in cities throughout the country. Next, they rectified city and town grain supply, changing from the previous method of supplying grain against coupons to the "verified number of people in each household." Following rectification, the abnormal amount of grain sales began to decline. Statistics from 238 cities showed grains sales during June at 8 percent less than during May, further declines occurring during July and August. After four months, supplying grain according to the "verified number of people in each household" plugged some of the loopholes in the system of "purchasing grain against coupons," and it corrected some of the grain waste. Nevertheless, various shortcomings still existed in the planned supply method that required diligent efforts to overcome. Therefore, on 25 August 1955, the State Council published "Temporary Methods for Supplying Grain Rations to Cities and Towns," (abbreviated to "Methods"), which called upon all provinces, autonomous regions, and municipalities under direct central

government jurisdiction to apply them during the period 1 September through 30 November. The spirit of the "Methods" for supplying grain rations to cities and towns was to set graduated amounts of rations for city and town residents on the basis of differences in the kind of work they performed and their age, issuing grain purchase coupons to individual households. In supplying grain to industries and businesses, standards were set on the basis of the users' actual needs and supplied according to plan. A supply system of graduated amounts of grain was also instituted for city and town livestock feed. Graduated supply of grain rations improved planned supply of grain to cities and towns.

The State Council's "Methods" stipulated different supply standards for nine different levels of supply of grain rations (processed grain) to residents in two different kinds of areas, namely areas eating mostly rice, and areas eating mostly miscellaneous grains and wheat flour. (See Table 2).

**Table 2. Tables of Levels and Standards for Grain Ration Supply to Cities and Towns**

Level	Areas Eating Mostly Rice		Jin Per Capita Per Month Areas Eating Mostly Miscellaneous Grains and Wheat Flour	
	Supply Standard Range	Average Control Figure	Supply Standard Range	Average Control Figure
1	45-55	50	50-60	55
2	35-44	40	40-49	44
3	25-34	32	29-39	35
4	24-29	28	27-32	31
5	26-33	32	29-36	35
6	22-26	25	24-28.5	27.5
7	16-21	20	18-23	22
8	11-16	13	12-17	14
9	5-10	7	6-11	8

Note: The figures in the "level" column represent supply distinctions as follows: 1. Workers doing exceptionally heavy physical labor; 2. Workers doing heavy labor; 3. Workers doing light physical labor; 4. Workers in government agencies and bodies, staff members in public and privately owned enterprises; 5. College and middle school students; 6. Ordinary residents and 10 year old children; 7. Children 6 years or older, but not yet 10 years; 8. Children 3 years or older, but not yet 6 years; and 9. Children not yet 3 years.

The standards for differential supply of grain rations were drawn up on the basis of required human nutritional standards, experience in planned supply of grain to cities during the previous 2 years, and the actual level of residents grain consumption at different ages and in different jobs reported in data from numerous representative surveys. The standards for rations at each level were basically consistent with normal consumption needs, and the masses were satisfied.

The State Council "Methods" provided for no limit on the supply of grain to embassies, consulates, or personnel of foreign delegations in China, to foreign guests, experts, advisors, teachers and their families, or to seamen in port who were able to show documents from Chinese foreign affairs organizations or organizations in charge. Ordinary foreign citizens were to be issued

credentials by Chinese foreign affairs organizations and were to be regarded in the same way urban residents of China, receiving supply of a personal ration. The "Methods" also provided that railroad and ship passengers needing food on trains and ships could make purchases without grain coupons.

State adoption of the method of providing individual grain rations to city and towns received enthusiastic support from the broad masses. In a 28 August 1955 speech, Shanghai deputy mayor Xu Jianguo [6079 1696 0948] said the following about the rationing of grain to cities and towns: "The State Council's Temporary Methods for Supplying Grain Rations to Cities and Towns" is an important measure for the continued effective implementation of a policy of planned grain supply, for strengthening the city and town grain supply system,



for promoting promote grain conservation, and for insuring an equitable apportionment of grain, which we Shanghai people firmly support and guarantee to carry out." After looking into it, Xu Jianguo deemed the residents' grain supply standards to be fair. He said, "Data we have obtained during the past month through interviews, discussions, surveys, and estimates made among 15,387 people throughout the city demonstrate that the resident's grain ration supply standards for different categories show concern for the different needs of different groups. They are fair and workable." In Beijing, residents expressed support and approval for the supply of grain rations. For example, Li Huitong [2621 1920 2717], a resident of Danfeng Narrow Road, Chongwen District said, "Setting supply standards on the basis of the amount of labor and age is very fair, and setting appropriate standards for children of different ages is also right. This is consistent with the actual needs of different categories of people, and it can also conserve grain." Dong Yuru [5516 3786 1172], a resident of Xizongbu Hutong in the city's Dongcheng District said, "The various provisions of this method are both fair and complete." The supply of personal grain rations to city and town residents also helped consolidate the alliance between workers and peasants. Chen Shufang [7115 2579 5302], a noted Sichuan opera performer, and a delegate to the NPC said, "When I went to Xiema Market in the suburbs of Chongqing during June this year, many peasants expressed to me their displeasure with city grain supply. Now that the state has applied fixed ration supply to boost the conservation of grain, the peasants are bound to be satisfied."

The State Council "Methods" included four provisions about grain used by industries and businesses, including the following. Industries and handicraft industries are to be issued industrial and commercial grain supply certificates by state designated agencies on the basis of their actual needs for grain. Grain needed for making alcoholic beverages, and grain needed by city and town prepared food businesses, refined food businesses, pastry businesses, and nonstaple food businesses is to be supplied after the unit needing the grain draws up a grain use plan, and a designated agency issues an industrial and commercial grain supply certificate. Cooked rice and cooked wheat foods sold by city and town prepared food businesses, vermicelli, machinemade noodles, rice flour, and New Year's cakes made by processed food businesses, and pastries, biscuits and bread sold by pastry businesses may be purchased against grain coupons by residents or the transient population. Cooked food businesses, processed food businesses, and pastry businesses may buy from state grain shops an amount of grain equal to the amounts shown on grain coupons they have collected, thereby conducting a revolving business.

The State Council "Methods" stipulated standards for grain supplied for use in making feed for livestock raised in cities and towns, the raw grain amounts supplied per head per day being 4 to 7 jin for horses and donkeys, 2 to 4 jin for mules and camels, 4 to 6 jin for cattle, and a suitable supply for hogs.

City and town institution of grain ration supply reinforced the planning nature of grain supply, thereby making more rational the state provision of grain needed by city and town residents as rations or for other purposes. It represented a marked advance over the "individual household verification" supply method. Thus the state shaped a rather complete and fairly realistic grain supply system for cities and towns.

After instituting grain ration supply for cities and towns, on 20 April 1956, the Ministry of Grain of the People's Republic of China issued "Instructions on Several Regulations Pertaining to Improvement of Professional Work in City and Town Grain Ration Supply," which stated, "In order to do a better job in the supply of grain rations to cities and towns, the quality of grain department's professional work must be improved to meet needs as the situation develops." All jurisdictions throughout the country diligently put into effect the spirit of the instruction for the building of three kinds of grain control systems as follows: 1) A grain requisition control system. By this was meant a control system in which graduated grain supply standards were set for each individual in a household after which residents' grain supply certificates were issued for the entire household in the aggregate amount for all members at every level 2) A control system for changes in residents grain ration supply standards, and for changes in residence or transfer. 3) A grain ration coupon control system. On 18 August 1955, the Ministry of Grain published "Notice on Temporary Control Methods For the Use of Ration Coupons Nationwide," which contained specific provisions for the issuance and withdrawal of grain ration coupons, and for forwarding to higher authority, registration, and preparing statistics. Grain departments in all jurisdictions exercised control over grain ration coupons in accordance with the spirit of the foregoing notice.

#### **D. High Yield Grain Growing Areas Helping Low Yield Areas on the Basis of the Fixed Quotas for Grain Production, Procurement, and Marketing**

Beginning with the 1956-57 grain year, an increase in wheat output and a bumper early rice crops happened to occur; nevertheless, the country's grain purchase and sale situation was not normal. During the 3 months of July, August, and September, 4.3 billion jin more of grain was sold that during the same period during the previous grain year, and 3 billion jin less was purchased. This trend was still continuing when the autumn grain harvest was brought in. The reasons were that following the basic cooperativization of agriculture, the number of rural grain purchases and sales units changed from the individual peasants in 110 million peasant households to approximately 1 million agricultural cooperatives, new changes taking place in grain production and marketing. The evening out of surpluses and deficits among individual households was no longer done through state purchases and sales. The state had to buy and sell somewhat less. However, because some grassroots levels cadres were partial to the peasants, and for other reasons,



many agricultural cooperatives having bumper harvests insisted on keeping all their increased grain output. Agricultural cooperatives having little or no increased output wanted their requisition grain procurement quotas reduced, or their supply quotas increased. Agricultural cooperatives having a lean harvest stressed their small amount of accumulated wealth and the large amount of labor expended in campaigns to rescue production from disaster. They wanted the amount of grain required to be maintained at the level during years of normal harvest, and some of them wanted an increase. This situation had a direct adverse effect on state grain purchase and sale plan implementation. The trend in grain supply and demand in the country at that time was a steady increase in the amount of grain society needed as the scale of socialist construction developed. In addition, natural disasters were very serious in the north China region during 1956, the state having to move a substantial amount of grain to support the disaster areas. This trend toward increase in the amount of commodity grain that the state had to provide, and the universal demand among agricultural cooperatives for an increase in consumption were diametrically opposed. State institution of the "three fixed" grain policy already evidenced concern for the peasants grain needs in grain distribution. Statistics showed that as a result of implementation of the "three fixed" in 1955, the amount of grain the peasants had was 40 jin more per capita than during the previous year. The speed of increase in peasant demand for further improvement in their grain consumption outstripped the speed of their increased production making it impossible to insure needs for national construction, and making it impossible to insure a supply of grain to people lacking grain in cities and the countryside. In order to adapt to the new situation of agricultural cooperativization and to continue to insure the state and the people's needs for grain, on 6 October 1956 the State Council issued "Regulations on Agricultural Cooperatives' Monopoly Grain Purchases and Monopoly Grain Sales." On 14 October, the CPC Central Committee and the State Council jointly issued "Instructions on Current Grain Purchases and Sales, and Post-Autumn Monopoly Grain Purchase and Monopoly Grain Sales Work." These two documents prescribed several principles for grain distribution and for grain purchases and sales as follows:

First, in figuring and setting the amount of agricultural cooperatives' grain purchases and sales, the principles of the "three fixed" grain policy were to continue to be followed. In places where the harvest was normal, the amount of agricultural cooperative grain purchases and sales should be figured on and determined on the basis of the "three fixed" grain policy. Grain supply standards for disaster areas should be lower than for regular areas; however, the peasants essential needs for grain should be assured. The serious disasters in numerous places during the current year necessitated consideration of increased grain purchases in bumper harvest areas; however, the amount of increased purchases could not exceed 40 percent of the peasants' increased output. The state had

to supply a suitable amount of grain for hog raising and for the development of sideline occupations; however, these needs should be met primarily by agricultural cooperatives and the peasants themselves through increases in grain output, or by seeking alternative livestock feeds.

Second, in supplying grain to peasants who were seasonally grain deficient, the principle should continue to be followed of providing supply as the deficiency occurred.

Third, in work performance, state requisition procurement and agricultural cooperative internal distribution should proceed in parallel, and the principle of a combination of buying and selling should continue to be adhered to.

Carrying out this principle meant that grain consumption in agricultural cooperatives should improve as output increased, but with proper limitations. Requisition procurement of grain was to continue to be increased in order to solve some problems urgently requiring solution in rural monopoly grain purchase and sale work following cooperativization.

When the "three fixed" grain policy was instituted in 1955, it made no provision for increased purchases of increased output. In 1956, the provisions were readjusted to provide that increased purchases of grain from increased output in bumper crop areas was not to exceed 40 percent of the increased production. This provision was still not consistent with the state requirement that grain from bumper output areas be used to augment supplies in lean harvest areas. Thus, on 11 October 1957, the State Council published "Supplementary Regulations on Monopoly Grain Purchases and Sales," the basic spirit of which was better overall consideration and all-around arrangements, and more equitable allotments, the better to regulate conflicts between output and demand. Upholding the "three fixed" grain policy formed the foundation for augmenting grain supplies in lean harvest areas with grain from bumper output areas, insuring the state's normal grain income, and strict control over the amount of grain sold. The second provision of the "Supplementary Regulations on Monopoly Grain Purchases and Sales" was that when the state figured and set the amounts of agricultural cooperative and peasant household requisition grain procurement, monopoly purchases, or supply, the standards set for grain retention at the time the "three fixed" grain policy was instituted in 1955 could not be increased, the amount of fixed grain purchase could not be reduced, and the amount of fixed sales could not be increased. Grain ration standards for people in disaster areas should be lowered appropriately. Grain ration standards for peasants in places having a rather poor harvest should also be less than in ordinary harvest years. Second was a provision applying to that portion of grain that agricultural cooperatives and peasants produced in excess of the amount of fixed production prescribed in the "three fixed" grain policy. The state had to increase purchases of a portion of grain from

surplus grain agricultural cooperatives, self sufficient agricultural cooperatives, and surplus grain peasant households. The state also had to reduce sales by grain-short agricultural cooperatives and peasant households. The amount of increased state grain purchases was generally 40 percent of the increased output. Under special circumstances, it might also buy somewhat more. However, agricultural cooperatives and peasants should also get an increased portion of the increased output.

This supplementary regulation restricted by a reasonable amount the quantity of city and countryside people's grain consumption, while simultaneously augmenting grain supplies in lean harvest areas from supplies in bumper harvest areas, thereby placing grain distribution on a sound foundation, insuring the state's grain income, and more equitably satisfying society's need for steady increases in grain.

#### **Section IV. Results From Monopoly Grain Purchase and Sale During the First 5-Year Plan**

##### **A. State Control Over Grain Alleviates Conflict Between Production and Demand for Grain**

After institution of monopoly purchase and sale of grain in December 1953, the situation in grain markets in which the state bought little but sold much was turned around at once. By the end of the 1953-54 grain year, state monopoly grain purchases for the whole year increased nearly 30 percent over the previous year, exceeding the all time high year for requisition grain procurement. In the 4 succeeding years, the state's requisition grain procurement plans were fulfilled without a hitch, bringing grain income receipts and expenditures into balance with a surplus. Grain is the principal good in the overall balance of China's national economy. The balance between grain receipts and expenditures with a surplus was an extremely important assurance for stable development of the national economy, and played an extremely important role in the victorious implementation of China's First 5-Year Economic Construction Plan.

##### **B. Overall Consideration and Appropriate Arrangement To Guarantee the Grain Supply to Every Social Sector**

The goal of monopoly grain purchases and sales was proper grain distribution, handling correctly the relationship between the state and the peasantry, and between the state and consumers. In a situation such as existed in China of low per capita amounts of grain, conflicts between production and need, and fairly sharp conflicts between supply and demand, making grain distribution substantially fair in order to insure the normal grain requirements of all sectors of society was of crucial importance. Although grain distribution during the First 5-Year Plan period was not entirely equitable in certain years and in certain respects, such as excessive requisition procurement from a small number of villages, and waste in the supply of grain to cities; nevertheless, overall, as a result of the adoption of a policy of overall consideration and all-around arrangements, the

needs of both the country and the peasants, the needs of both cities and industrial and mining areas, the needs of rural grain-deficit households, cash crop growing areas, fishermen, and salt workers, and the interests of both consumers and producers were looked after. Statistics show state requisition grain procurement as a percentage of output to have been 28.4 percent in 1953, 30.6 percent in 1954, 27.6 percent in 1955, 23.6 percent in 1956, and 24.6 percent in 1957 for a 26.96 percent 5-year average. This percentage is still somewhat lower than the 28.2 percent total figure for grain sent to market plus grain paid in agricultural taxes. If the portion of grain sold back to rural villages is subtracted from state rural grain purchases, only approximately 15 percent of grain output was taken out of rural villages. This means that about 85 percent of the grain was left in rural villages. This percentage was about right both in terms of results at the time and subsequent experience. It showed concern for the interests of both the state and the peasantry. As production increased, the amount of grain remaining in the peasants' hands increased with each passing year. The amount of grain kept per capita of rural population was 513 jin in 1953, 533 jin in 1954, 555 jin in 1955, 611 jin in 1956, and 589 jin in 1957. Although the actual amount each person received differed as a result of imbalances in grain output in different places, overall the peasants' grain consumption improved year by year, and the tragic life in old China of having nothing to eat but chaff and wild herbs for half the year basically changed.

More than 90 percent of the grain that the state obtained through requisition procurement in rural villages was used to supply the grain needs of grain-deficit people in cities and the countryside. It was taken from the people to be returned to the people. Statistics show the population to which the state supplied grain during these 5 years was as follows:

1. As large scale economic construction increased, the urban population grew steadily. It was 78.26 million in 1953, increasing to 99.49 million in 1957, all of which the state supplied with grain.
2. Approximately 50 million people in rural areas were short of grain each year and looked to the state to supply it. Another 40 million grew cash crops, and 10 million were fishermen, herdsman, foresters, boat people, and salt workers, all of whose grain the state supplied.
3. Every year some place suffered a natural disaster of one magnitude or another. In normal harvest years, 20 to 30 million disaster victims lacked grain. In disaster years, the situation was even more serious. In 1954, there were more than 60 million disaster victims, and in 1956, disaster victims numbered 70 million, depending almost entirely on the state for grain.

The grain-short population in the above three categories numbered approximately 200 million in normal harvest

years. In disaster years, the number increased to approximately 250 million, the state's grain supply burden amounting to more than a third the total population of the country at that time.

During the period 1953 through 1957, the state stood the test of serious natural disasters in supplying grain to grain-short people in cities and the countryside. The years 1954 and 1956 were the worst disastrous for China in nearly 100 years. The state took charge of the movement of large quantities of grain into disaster areas, insuring grain for the people's daily life and production. In 1956 alone, the state supplied about 12 billion jin of grain to people in disaster areas. At a rate of 1 jin of grain per person per day, this was enough to supply a population of 100 million for 4 months, or 70 million people for 6 months. Most of this grain was shipped to disaster areas from other provinces. For example, when Hebei Province sustained serious natural disasters, the people there ate grain that was shipped from 24 provinces. Such large-scale shipments of grain on a national scale to meet the needs of disaster victims could only be accomplished under leadership of the CPC and the people's government. During the major disaster years of 1954 and 1956, because the state insured needed supplies of grain to disaster areas, the farflung disaster victims got through the disaster smoothly, revived production, and rebuilt their villages and towns. The people in the disaster areas said with gratitude, "A famine such as does not occur in 100 years, and a good government such as one does not find in 1,000 years. Without monopoly grain purchases and sales, how could there be such a fine situation!"

Following monopoly grain purchases and sales, not only was the state able to institute planned distribution of commodity grain, but it also provided active guidance to peasants on consumption of grain retained for their own use. Peasants are the producers and the owners of grain, and they are also the greatest consumers of grain. How well their grain consumption is planned plays an active role in the stabilization of the rural social order, and development of the agricultural economy. It also helps state grain purchase and sales work. Thanks to the state's positive guidance, peasants internal grain distribution took account of overall needs, evening out feast and

famine, thereby enabling greater stabilization of the rural grain situation. In addition, once monopoly purchase and monopoly sales was instituted, in order to help the peasants solve difficulties in production and daily life, the state instituted revolving buying and selling of grain that the peasants kept. Approximately 20 percent of China's peasants annually bought and sold between 6 and 7 billion jin of revolving grain because of economic hardships, or in order to get different kinds of grain, and in seasonal exchange. This is to say that they first sold some of their grain ration to get money for other expenditures; then when they had some earnings, they bought back the grain rations that they needed. For example, they might sell wheat and buy back miscellaneous grain. The state bought at monopoly purchase prices the grain that the peasants wanted to turn over, issuing them revolving grain certificates. Then, once the peasants had some money, the states sold them the same amount of grain as the certificates specified at monopoly sale prices. This grain circulation policy solved real needs for some hard pressed peasants.

### C. Keeping Grain Prices Generally Stable

After institution of monopoly purchase and monopoly sales, the state conducted a policy of "no basic change but individual adjustments" of grain prices in order to stabilize market grain prices, consolidate the monopoly purchase and monopoly sales situation, insure availability of grain for people's daily lives and for national construction, and further consolidate the alliance between workers and peasants. The changes that took place in monopoly purchase and monopoly sale price readjustments over a 5-year period were as follows:

1. On grain monopoly purchase prices. The State Council's "Orders" specifically provided the following with regard to planned grain purchases and planned grain supply: "Planned grain procurement prices are to be substantially prevailing procurement list prices." So-called prevailing purchase list prices meant purchase parity prices prevailing before monopoly purchase and monopoly sales, meaning purchase prices very close to prevailing market prices. These prices were easy for the peasants to accept. They were consistent with the principle of exchange of equal value or close to equal value. (See Table 3)

**Table 3. Table Showing Weighted Average Monopoly Grain Purchases Prices in Markets at the County Level and Above From 1953-1957**

	Units: 100 jin, and yuan				
Kinds of Grain	1953	1954	1955	1956	1957
Average for Six Kinds of Grain	6.76	6.59	6.63	6.68	6.73
Wheat	9.74	9.28	9.21	9.15	9.20
Paddy	6.17	6.14	6.14	6.20	6.26
Millet	5.47	5.46	5.43	5.50	5.53
Corn	5.02	5.01	5.12	5.19	5.22
Sorghum	5.27	5.30	5.30	5.31	5.33
Soybeans	7.24	7.16	7.13	7.62	7.65

Table 3 shows the monopoly purchase price of grain to have been basically stable during the 5-year period between 1953 through 1957, with little change. The main reasons for the changes that did occur were upward or downward readjustments of the price of a small number of grain varieties whose local price was slightly too high or slightly too low. In 1954, the slightly too high monopoly purchase price of wheat, which had been set too high to begin with, was lowered 4.7 percent. In order to develop production in impoverished mountain regions and border regions, and gradually improve and raise the standard of living of the people living in these areas, in 1957 the State Council decided to raise monopoly purchase prices for grain in these areas, providing specifically for a floor price in these areas to safeguard the interests of producers. In 1957, the average monopoly purchase price for the six kinds of grain were 11.4 percent higher than the 6.04 yuan

of 1952, which was before monopoly purchase and monopoly sales prices were introduced.

2. On monopoly grain sales prices. The State Council's "Orders" specifically provided the following with regard to planned grain procurement and planned supply: "Planned supply prices are currently basically prevailing retail list prices." So-called prevailing retail list prices meant retail list prices before the introduction of monopoly purchase and monopoly sales. Monopoly grain sales prices were set on retail prices prevailing at that time. During the course of 5 years, monopoly grain sale prices readjusted as monopoly purchase prices changed, a certain price differential being maintained between purchase and sales prices. Over the 5-year period, monopoly grain sale prices remained basically stable. In 1957, the average monopoly sale price of the six kinds of grain was up 8.7 percent over the 10.97 yuan of 1952.

**Table 4. Table Showing Weighted Average Monopoly Grain Sales Prices in Markets at the County Level and Above From 1953-1957**

Kinds of Grain	1953	1954	1955	Units: 100 jin and yuan	
				1956	1957
Average for six kinds of grain	11.68	11.69	11.76	11.83	11.92
Wheat flour	18.10	17.96	17.96	18.18	18.13
Husked rice	10.31	10.36	10.43	10.49	10.58
Wheat	8.39	8.54	8.77	8.78	8.83
Corn	5.85	5.87	6.07	6.23	6.36
Sorghum	5.88	5.94	6.03	6.08	6.09
Soybeans	9.50	9.42	9.42	9.68	10.04

#### D. Promoting the Socialist Transformation of the Capitalist Grain and Commercial Sectors

The capitalist grain business was an important business in China's preliberation industry and commerce. Following the founding of New China, the policy China used in its transformation was likewise one of utilization, limitation, and transformation. The CPC Central Committee and State Council "Decisions" and "Orders" pertaining to implementation of planned grain purchases and planned grain supply provided that "all privately owned grain businesses may not deal freely in grain." On the basis of this provision, the state monopolized trading in grain, giving powerful impetus to the transformation of the capitalist grain business. Statistics from 23 provinces, autonomous regions, and municipalities under direct central government jurisdiction including Beijing, Tianjin, Shanghai, Hebei, Shanxi, Shaanxi, Inner Mongolia, Gansu, Qinghai, Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Henan, Hubei, Guangdong, Guangxi, Jiangxi, Sichuan, Yunnan, Guizhou, and Xikang prior to monopoly purchases and monopoly sales showed 172,499 privately owned grain business in China employing 147,713 people. Divided up in terms of the character of their business, most of these privately owned grain businesses were involved in the transportation and sale of grain, mostly wholesale. There were also

grain shops engaged mostly in retailing that also transported grain for sale, and there were also grain dealers and street grain stalls selling small amounts of grain. (See Table 5). Following monopoly purchase and monopoly sales, all jurisdictions took the following actions with regard to privately owned grain businesses in accordance with state policy:

1. In large and medium-sized cities, retail grain businesses were usually commissioned as sales agents, those able to go into other lines of business being helped to do so. In some places such as Hubei, Guangdong, and Anhui provinces, retail grain businesses in medium size cities and in small cities and towns were mostly mobilized to go into other lines of business. Only those facing real difficulties in so doing were commissioned as sales agents. In most cities and counties in the south central region, dependents of army personnel and martyrs, and needy households were looked after first, and then they helped law abiding professionals, commissioning them as sales agents.
2. Every effort was made to get wholesale merchants and street peddlers to go into other lines of work, but those who really found it difficult to do so were commissioned as sales agents.
3. Grain merchants involved in several businesses usually ceased to deal in grain.

**Table 5. Table Showing Changes in Private Grain Businesses in 23 Provinces, Autonomous Regions, and Municipalities Under Direct Central Government Jurisdiction**

Category	Number of Businesses		Numbers of People	
	Number of Businesses	Percentage of Total Businesses	Number of People	Percentage of Total People
Total	72,499	100	147,713	100
Sales agents	12,154	16.76	31,323	21.21
Self-employed (Dealing in small amounts of miscellaneous grains not included in monopoly purchase)	971	1.34	1,549	1.05
Changed vocation	45,207	62.36	89,534	60.61
Retired	7,694	10.61	14,652	9.92
Other	6,473	8.93	10,655	7.21

Most of those commissioned as sales agents in all jurisdictions were privately owned retail grain shops. In accepting them as sales agents for the state, all local government set definite requirements as their circumstances required. For example, Shanghai required that privately owned grain businesses applying to become sales agents had to meet the following requirements: 1) Have a business permit from the Bureau of Industry and Commerce; 2) be able to tender the prescribed insurance funds; 3) have specific amounts of equipment and a certain number of employees; 4) willingness to abide by government ordinances and to carry out contract provisions. Most privately owned grain businesses in all jurisdictions were able to abide by government ordinances and carry out contract provisions in the process of acting as sales agents; however, some grain sales agent shops used all opportunities to steal grain, divert public funds, to misrepresent inferior merchandise as premium quality merchandise, to adulterate and short measure, fraudulently purchase and transport grain elsewhere, and such illegal actions. Because of these circumstances, in 1954 and the first half of 1955, all provinces, autonomous regions, and municipalities under direct central government jurisdiction inspected and rectified sales agent shops as the actual situation in each jurisdiction warranted, intensifying restrictions on them, and transforming them organizationally and institutionally in a timely fashion. For example, they set up grain control teams in which state-owned grain shops were the nucleus, but in which staff member and worker representatives of privately owned grain shops participated for the purpose of supervising and controlling the business activities of sales agents. A system of advance accounting of revenues and expenditures and a cash control system were instituted in all sales agent shops to reinforce financial control. Following rectification and the establishment and strengthening of various systems, privately owned retail grain sales agent shops became a part of state plan, setting the stage for the socialist transformation of joint public and private ownership of all enterprises. However, until such time as changes were

made in the system of ownership, the transformation of enterprises had to be limited, the contradictions between the public and the private sector, and between labor and capital not being able to be resolved completely and necessitated a further transformation of grain businesses. During the last half of 1955, a high tide occurred throughout the country in the cooperativization of agriculture. In this situation, capitalist grain businesses were the first whole trade nationwide to come under joint state-private ownership for completion of their socialist transformation.

As with other trades, the state conducted a buying-out policy in the joint public and private ownership of grain businesses. This is to say that it adopted a system of inventorying assets and setting a share value and payment of fixed interest for them, also following the principle of providing "liberal treatment" in the setting of share value and interest, as well as in finding jobs for personnel. This new buying-out policy came after the the joint state-private ownership of individual enterprises of the whole grain trade. Private businesses turned over their entire enterprise to the state, the state administering and managing it according to socialist principles. In the payment of fixed interest for private shares, during the period of joint state-private ownership the state paid private traders interest on shares at a prescribed interest rate no matter the businesses' profit or loss situation. Following the buying-out, the only capitalist ownership retained was the fixed interest. Capitalists had no utilization or management authority. Since the capitalists received fixed interest, an exploitive relationship still existed; however, this exploitation was no longer associated with the operation of the enterprises, and was divorced from the enterprise's profits. Thus, after they came under joint state-private ownership, enterprises became virtually socialist in nature. Staff members and workers in enterprises became staff members and workers of the state following joint ownership. In accordance with the principle of "assigning jobs to people according to their capabilities and taking proper care of them," the capitalist personnel were properly

placed, and the members of their family were also employed according to their abilities. In short, the transformation of capitalist grain business was carried out very smoothly for all-around success.

### **Official on Need for Husbandry of Herbivorous Animals**

OW2081647Beijing XINHUA in English  
1455 GMT 20 Aug 89

[Text] Xining, August 20 (XINHUA)—Liu Jiang, vice-minister of agriculture, said here today that he expects animal husbandry will have a major expansion in China.

He made this remark after a tour of grasslands in Hebei, Inner Mongolia, Gansu and Qinghai.

Thirty-nine million people in 260 counties are engaged in animal husbandry in the country.

China has 300 million hectares of grasslands, or 0.27 hectares per capita. However, Liu said, the resources of the grasslands have not been well exploited as China's per-unit output value of grasslands is still very low in the world.

Liu said if the total output of animal products in China increases by four times, the present shortage of meat products in the country will be greatly eased and China will be able to export 100,000 tons of wool a year. China is now importing 200,000 tons of wool every year.

Liu noted that it is now a good opportunity for China to develop the husbandry of herbivorous animals because the agricultural production of the country has been fluctuating for years and meat products have been short of supply. Under such circumstances, he pointed out, it is unadvisable to develop pig raising, which consumes much grain.

### **Local Policies Called Disadvantageous to Grain Production**

HK1108150189 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 89, pp 76-77, 40

[Article by Sun Ziduo 1327 5261 6995 of the Township and Town Economic Institute of the Anhui Provincial Academy of Social Sciences: "An Analysis of the Policy-making Behavior of Local Governments in Grain Production"]

[Text] Since the implementation of the contracted local financial responsibility system, local governments have become one of the three investment main bodies of grain production. In promoting grain production and increasing grain supply they have been playing a role comparable to that of the state and peasant households. Therefore, the differences among local governments in their understanding of grain production and their attitude and behavior toward this issue will bring extremely different results.

In the early 1950's, 21 of the 29 provinces, municipalities, and autonomous regions in the country were net grain exporters. However, by the late 1980's only 8 provinces—Jiangsu, Anhui, Jiangxi, Henan, Hunan, Hubei, Heilongjiang, and Jilin—have been able to supply commodity grain in a comparatively stable manner. The future development trend has made people worry. Such a decline in production is, of course, caused by a decrease in land, increase in population, and other objective reasons. It is, however, to a larger extent due to the lack of enthusiasm of local governments in developing grain production. At present, it is a common phenomenon that governments of grain-producing areas are not interested in developing grain production and are disinterested in increasing aggregate grain output. Their decisionmaking behavior is specifically shown in the following ways:

1. In formulating economic development strategies the grain production growth rate has been suppressed. For instance, in the Seventh 5-Year Plan Jiangsu set the annual grain production growth rate at 1.8 percent and Anhui at 2.3 percent. These two rates are very much lower than these two provinces have set in the past. The responsible comrades in some Anhui Province departments publicly put forward that when grain output reached 50 billion jin the grain output growth rate has to be slowed down and efforts concentrated on producing cash crops and developing township and town enterprises.

2. Local governments are not enthusiastic about investing in grain production. With implementation of the contracted local financial responsibility system local governments have obtained a large amount of budgetary and extrabudgetary funds. However, over recent years the amount allocated for granting funds and credits for investment in grain production has declined. For instance, Hunan Province's agricultural capital construction investment in the Sixth 5-Year Plan is 41.9 percent lower than in the Fifth 5-Year Plan; and in 1986, the province's agricultural capital construction investment amounted to only 2 percent of total investment. Moreover, the funds allocated by Anhui Province for aiding agriculture have decreased from 52.5 million yuan in 1979 to 30 million yuan in 1985, an annual decrease of 7.7 percent. It has become a common phenomenon that local governments use a very large portion of credit and funds to invest in industry and commerce. As a consequence, local governments had not secured sufficient funds last autumn to buy grain from peasants and the purchase of grain for reservation was thus affected.

3. In handling the relationship between grain and cash crops production the policy has obviously been formulated in favor of cash crops production. Local governments have complained that grain production has not been profitable and that growing grain has caused losses. On the other hand, they have continued to implement policies imposing a duty on peasants who are growing grain to supply grain at low prices to peasants in areas producing cash crops. Take Anhui Province, for

example: One-third of the low-priced grain (2 billion jin in total) purchased from peasants throughout the province at quota amount is to supply the rural areas and only a small amount is for providing disaster relief. Most of this grain supplies people growing cash crops. The reason for this situation of inconsistency between understanding and action is that cash crops are advantageous to local finance and industrial development.

It is obvious that the policymaking behavior of governments in grain-producing areas is disadvantageous in helping China's grain production reach a new stage. However, viewed from the commodity economy angle, and in view of the important responsibility of local governments in undertaking economic construction and maintaining growth in the material life of inhabitants, their policymaking behavior is reasonable. In the past, people often considered that peasants would suffer losses in growing grain. However, if we analyze this in detail, direct producers do have the relative capacity to absorb losses incurred in growing grain. When external conditions change, the situation of suffering losses in growing grain will be partially or totally improved but local governments absolutely do not have the capacity to absorb losses incurred in growing grain. First, local government investment in grain production is a net loss. As everyone knows, China has been using the scissors difference rather than the taxation method to achieve the target of providing accumulation for agricultural industrialization. When this policy encounters passive resistance from agricultural producers and cannot be continued, the state adopts the methods of increasing the price of agricultural products or reducing the tax rate to alleviate the contradiction. However, no matter how large the scope covered by this economic regulatory lever, or how intensive it is, local governments will not have a share of the benefits that will be created, as all the benefits will go to direct producers. If local governments cannot obtain proper income from grain production, their investment in it will imply a loss. Under the conditions of a commodity economy and the contracted local financial responsibility system, nobody will invest in grain production. Grain is different from tea, timber, tobacco, cotton, jute, and other cash crops because timber, tea, tobacco, and other products can obtain extra and stable tax income in circulation sections. Higher outputs of these crops means more income while lower outputs bring losses. This provides local governments with great financial attractions and also great financial pressure. Under such circumstances, local governments will have the enthusiasm to develop production and, if necessary, they will also be willing to allocate funds to support production of these crops. The amount of direct tax to be collected from cotton, jute, and other crops is not high. However, being industrial raw materials they are closely related to local governments' financial income and will also create indirect income.

Second, local governments are facing the question of comparison between input and benefit. Even if the question of collecting funds already invested in grain

production is not taken into account, investment in grain production will still not bring benefit. For instance, Jianhu County in Jiangsu Province has calculated that if one unit of electricity is used in agriculture the county will obtain no benefit, but if this same unit of electricity is used in industry it will generate 5.2 yuan of output. If one-third of the electricity used by the county in agriculture was used in industry, output value would increase by 62 million yuan and 4.5 million yuan of profit tax would be obtained. However, the practical situation is that in maintaining grain production, every year the county has to input a net 5 million yuan in grain production. Every year, Chuxian Prefecture in Anhui Province has to spend several tens of million yuan to purchase grain. In the eyes of local governments, therefore, transferring grain to other areas is the same as transferring energy and funds to other areas and suppresses industrial development. Even in agriculture itself there also exists the problem of comparison between investment and benefit. According to information provided by relevant departments in Anhui Province, in 1986 the central government transferred 3.7 billion jin of grain out of Anhui. This amount is analogous to the output volume from 7.14 million mu of land. If this amount of land were used to grow cotton the loss could be reduced by 64 million yuan. If the loss incurred in industrial manufacturing is taken into account the figures would be higher. Apart from this, in developing grain production, industries serving agriculture should also be correspondingly developed. These industries are those that will not bring in much benefit. For instance, Anhui Province incurred a loss of 50 million yuan in 1986 since having to implement the central policy of subsidizing the price difference of chemical fertilizer.

Third, the current regional policy is not reasonable and in the process of exchange, grain-producing provinces are in a less favorable position than nongrain-producing provinces. The current practice of purchasing grain at quotas set by contract in fact is a converted form of purchase by state quotas. Since the difference between the price fixed by contracts and market price is too great, it is difficult to fulfill the task of purchase by quota. As a result it is difficult for local governments to invigorate the process of market regulation in grain management. In order to fulfill their task, and apart from using administrative means to force peasants to sell grain, local governments have to close the market, set constraints on the units and individuals taking part in grain management, and stop the outflow of grain to ensure fulfillment of the task of grain purchase. This has put local governments and peasants who are growing grain in a more antagonistic position and has also caused local governments to lose many opportunities advantageous to grain trade. Under the situation where the grain market is inactive and the price of grain is low, other provinces and regions bordering grain-producing areas can easily obtain large quantities of grain by offering higher prices. The result is that the governments and the peasants in grain-producing areas suffer losses. This situation has occurred in almost all grain-producing areas. Under the



situation of being pressed by the state and the complaints of peasants, the governments in grain-producing areas can find no way out.

In short, local governments have an important and irreplaceable role in developing grain production. However, their behavior shows that they are not interested in, and are incapable of, adopting proper measures to increase grain output.

To correct the policymaking behavior of local governments in grain-producing areas in grain production, and to raise their enthusiasm in increasing grain output, the practice of simply increasing financial investment and raising the price of grain will not bring effective results. At the same time, when this practice is being adopted an economic encouragement mechanism and an economic operation system that can enable continuous input should be established. The following measures can be adopted.

First, as in the current practice adopted for tobacco, tea, timber, and other products, a stable source of funds should also be secured through tax collection. Through taxation, local governments's source of funds and strength in investing in grain production can be enhanced and an economic process of funds circulation can be gradually formed in the reproduction of grain. Although the present practice of giving direct compensation on grain products through prices to grain-producing peasants can motivate their production enthusiasm, it cannot arouse the enthusiasm of local governments. Moreover, there is no proper method through which the funds allocated to peasant households can be put together and reinvested in agriculture. Therefore, local governments should have a substantial amount of funds for investing in grain production in a consistent manner. The source of these funds should be obtained by adopting appropriate methods of increasing the amount of tax collected from grain and all these taxes plus a large portion of the land-use tax should be given to local governments for developing grain production. Moreover, the method of spreading the tax burden by collecting tax from the fixed purchase amount of grain, and by collecting grain trade tax whose rate is regulated by the market, can be adopted to give local governments subsidies, that is, the increased amount of tax collected from the fixed purchase amount of grain is to be paid by the central government for peasant households. In the future, with the decrease in the quantity of the fixed amount of grain to be purchased by the government, the amount of such subsidies will also decrease correspondingly. This practice can thus coordinate with the development of the reform of the grain purchasing and marketing system whereby the state will reduce the quota of fixed purchase and will expand the scope of market regulation. Thus, the burden on the state will become less and less. Superficially, the increased amount of grain tax which is regulated by the market is paid by peasants producing grain. However, since the price of grain will change with the value and the relationship between demand and supply, this amount of tax is paid by areas

consuming grain and the consumers, and such a tax will not increase the burden very much on peasants who are producing grain. This practice can therefore maintain the marginal income of grain-producing peasants and can also regulate the relationship of benefit between areas.

There are two specific methods by which grain tax can be collected: First, by collecting a fixed amount of tax, the amount of which is fixed in accordance with the output volume of land; second by collecting tax in the circulation links of grain management.

Second, conditions and opportunities advantageous to the industrial development of areas producing grain should be developed to enhance the capability of these areas to support grain production. The reason why grain-producing areas incur losses when investing in grain production is because of the special nature of grain products and the fact that extensive processing of grain cannot be carried out at the time when the grain is transferred to other areas. The benefits of grain processing are thus obtained by areas to which the grain is transferred. The state can consciously set up industrial points in grain-producing areas to change the financial situation of these areas and to increase the funds for supporting grain production. This is also an important measure for coordinating regional development.

Third, in the reform of the grain purchase and marketing system larger scope in decisionmaking power should be granted to the local governments of grain-producing areas—reform whereby the sale of grain is reduced and the purchase of grain suppressed is advantageous to the state, peasants who are growing grain, and to local governments. Moreover, if the sale of low-priced grain is not suppressed it will expand by itself. The reduction in the purchase and sale of grain in this aspect will not only enable the price of grain to be regulated by the market and the realization of exchange at equivalent price, but will also imply that these areas have enhanced their grain-material strong points in regional exchange. In reality there are many unreasonable points in supplying low-priced grain and they can be very much improved. Local areas should be allowed to carry out experiments by themselves. We should know that the effects brought by the reform of reducing sale and suppressing purchase to the whole country will be very substantial and the risks involved in allowing local areas to gradually implement the reform in a diversified manner will be smaller. Moreover, this reform will bring income to peasants who are growing grain and is also a good method of promoting production and increasing supply. It is therefore necessary to allow local areas to implement the reform of suppressing the sale and reducing the amount of fixed purchase of grain.



### Land Bureau Says Statistics Underestimate Cultivated Acreage

*OW0308012389 Beijing XINHUA Domestic Service in Chinese 1422 GMT 30 Jul 89*

[By ZHONGGUO TONGJI XINXI BAO reporters Li Jianlin 2621 1696 2651 and Wang Qingping 3769 7230 5493; from Local Broadcast News Service]

[Text] Beijing, 30 Jul (XINHUA)— According to a relevant person with the State Land Administration Bureau, China's actual cultivated land acreage is larger than indicated in the current statistics. The discrepancy is caused mainly by untrue land data supplied by various localities.

China's cultivated land acreage is 1.436 billion mu, according to statistics currently held by the State Statistical Bureau. However, an ongoing nationwide survey of land use (detailed land survey) by the State Land Administration Bureau shows that many current statistical figures on land are false. By the end of 1988, cultivated land acreage in 316 counties surveyed was 20-30 percent larger than indicated in original statistics. According to data on Hunan Province, figures collected from the detailed land survey are 18-94 percent larger than those initially registered in 1983. There is even a danger of collecting false data during the detailed land survey, because a number of leaders are unwilling to supply correct figures out of fear that they will be asked to pay heavier agricultural taxes and to purchase more grain, thus adversely affecting their career performance.

According to a responsible person of the land registration section of the State Land Administration Bureau, an analysis of the 1988 annual land report shows that there is a relatively considerable discrepancy between the statistical and actual figures on land used for construction. This is because some areas intend to evade farmland occupancy tax. Three provinces and regions reportedly filed their annual land reports showing land acreage used for construction for a whole year is even smaller than the total of the previous three quarters of that year. Acting on directives from higher authorities, statisticians of some provinces reduced figures by a third during a recent national conference on statistical data. It is believed that those acting more quickly had already scrupulously altered their statistical figures. Some provinces that used extremely large tracts of land for construction reported that the land had been destroyed in disasters. Some provinces simply refused to supply statistical figures.

The responsible person said: "The State Council and the State Land Administration Bureau have adopted a series of measures to ensure that statistical figures on land are true and reliable. Land data will not be used as a basis for calculating various levies before the detailed nationwide land survey is completed. Whoever interferes in or

obstructs the survey, supplies false statistical data, withholds information, or seeks personal gain by manipulating figures will be punished according to party discipline and state law."

### Floods Affect Rice Production in Anhui

*OW2607070289 Hefei Anhui Provincial Service in Mandarin 1000 GMT 19 Jul 89*

[Text] Currently, the high water level in the Chang Jiang in Anhui has caused serious flooding. According to preliminary statistics by Xuancheng and Chaohu Prefectures and by Anqing, Wuhu, and Maanshan Cities, 2.4935 million mu of crops have been flooded. This has caused a relatively adverse effect on rice production, for 2.2708 million mu of rice field were waterlogged, accounting for 91.1 percent of the total waterlogged cropping areas.

Leaders at various levels have paid close attention to the disaster. They have actively organized people to prevent flooding and to drain away flood water. In addition, they have strengthened farmland management, expanded growing areas for late autumn crops, and waged a campaign to increase autumn production.

Mobilizing more than 20,000 people and supported by 2,000 irrigation and drainage machines totaling 45,000 horsepower and by 2,000 electric-powered machines totaling 79,500 kilowatts, Anqing City has drained flood water from 428,500 mu of land, or 67 percent of waterlogged land. However, it is difficult to drain flood water from some 150,000 mu of low-lying farmland. As a result, production is expected to drop sharply.

It was reported that Wuhu City had difficulty in draining flood water from more than 30,000 mu of rice fields.

### Beijing's Summer Grain Yield Hits All-Time Record

*SK2281315 Beijing BEIJING RIBAO in Chinese 24 Jul 89 p 1*

[Summary] Beijing Municipality planted 2.785 million mu of summer grain this year, a decline of 11,000 mu from last year, but it created alltime records in the output and per-mu yield of summer grain. This is the third year in succession in which the municipality has created alltime records. Its summer grain output totaled 917 million kg, 76 million kg, or 9 percent, more than in last year; and the per mu yield was 329.2 kg, an increase of 23.3 kg or 9.4 percent. By 30 June, the municipality had purchased 54.67 million kg of wheat according to purchasing contracts, overfulfilling the plan by 9.3 percent. Wheat at and above the medium grade accounted for 95 percent.

### **Guangdong Science Academy Develops Agricultural Plastic**

*OW2380306 Beijing XINHUA in English  
1455 GMT 22 Aug 89*

[Text] Guangzhou, August 22 (XINHUA)—A new-type of plastic sheeting which has the ability to diffuse light has been developed by the Guangdong Provincial Academy of Sciences.

Sunlight diffuses evenly through the film. In addition, the film can obstruct intense sunlight and allow more light to enter if it is too weak. The film can resist both cold and heat and protect crops better than the sheeting currently in use.

Experiments on raising rice seedlings and growing vegetables on about 270 hectares of farmland in Guangdong, Sichuan, Hunan, and other provinces showed that, by using the new sheeting, output of crops will increase by 3 to 5 percent compared with the old sheeting.

### **Hebei Hog Procurement Prices**

*40060715d Shijiazhuang HEBEI RIBAO in Chinese  
14 Jul 89 p 1*

[Summary] Recently, the procurement price for hogs in some counties of Hebei Province has been declining, thus, farmers are less enthusiastic about raising hogs. The Hebei Commerce Department has issued a notice to help solve this problem. In cities, the procurement price per kilogram of live hogs cannot be lower than 3.6 yuan. At the county level and below, the procurement price per kilogram cannot be lower than 3.2 yuan.

### **Heilongjiang Improves Grain Management**

*OW2080718 Beijing Domestic Service in Mandarin  
2130 GMT 17 Aug 89*

[From "News and Press Review" program]

[Text] Heilongjiang, a major grain-producing region of China, has implemented special policy to protect the interest of grain-producing areas and grain growers and explored ways to lift grain production out of a difficult situation.

The annual grain output of Heilongjiang Province has topped 15 billion kg in 5 years since the 3d Plenary Session of the 11th CPC Central Committee. At the same time, the gap between revenue and expenditure has grown wider and grain enterprises are heavily in debt due to mismanagement. Early this year, the province organized 50 cadres from 15 departments and bureaus and sent them to 16 cities and counties to conduct research and investigations in order to find a solution to this problem. On the basis of their findings, the provincial people's government has recently adopted a decision on improving grain administration. Roughly speaking, the purpose of this decision is to readjust the relationship of interest between grain-producing and grain-marketing

areas in order to turn the scale in favor of grain-producing areas and peasants.

According to this decision, beginning 1 April 1989, a system of paying first and delivering later will be introduced for grains shipped to grain-marketing areas in the province. Expenses for grain shipment within the province will be raised at the same time. Seasonal price differences will be appropriately readjusted on the basis of the variety of grains and the duration of storage. All these costs are to be borne by grain-marketing areas.

In accordance with the actual situation in Heilongjiang, the province also decided to let the governments in various localities to shoulder greater responsibility for grain work by taking charge of the administration of both grain and money. The Heilongjiang provincial people's government also decided to rectify the grain market and put an end to the irrational situation in which the grain dealers profit at the expense of the state and peasants in order to strengthen macrocontrol of grain.

### **Soybeans Exported to USSR Through Heihe Harbor**

*SK2807133489 Harbin HEILONGJIANG RIBAO in Chinese  
8 Jul 89 p 1*

[Text] The 30,000 tons of soybean exported by China National Cereals, Oils, and Foodstuffs Import and Export Corporation to the All-Soviet Foreign Trade and Economic Accounting "Cereals Export" Corporation were shipped from Heihe Harbor to the Soviet Union on 7 July. This was the first time that China has delivered goods to the Soviet Union through Heihe Harbor since the Chinese and Soviet Governments designated Heihe and Blagoveshchensk in April 1984 as the places for delivering and receiving goods and for settling accounts for delivered goods. In addition, the current shipment enabled Heihe Harbor to embark on a new stage of serving the national, local, and border trade between China and the Soviet Union.

Of the 50,000 tons of soybean exported by China to the Soviet Union, some 20,000 tons were delivered through Tongjiang Harbor, and 30,000 tons were through Heihe Harbor.

### **Hubei Takes Measures To 'Lighten Peasants' Burden'**

*HK0208144689 Wuhan Hubei Provincial Service in Mandarin  
1130 GMT 1 Aug 89*

[Text] The cash income of peasants in our province went up in the first half of the year while their cash expenses increased too.

Figures released by the provincial statistics bureau show that per capita cash income of peasants in our province in the first half of the year was 293.85 yuan, up by 19.89 percent against the same period last year, while their per capita cash expense was 311.51 yuan, an increase of 21.72 percent over the same period last year.

It is worth noting that two changes have taken place in peasants' cash expenses. First, the total of taxes paid by peasants dropped by 18.83 percent; second, the amount of money peasants turned in for collective contracted projects dropped by 24.57 percent. This demonstrates that the measures to lighten the burden on peasants adopted by the provincial party committee and government have yielded initial results in some rural areas of our province.

### **Jiangxi Provides Support for Summer Farming**

*OW3107010489 Nanchang Jiangxi Provincial Service  
in Mandarin 1000 GMT 24 Jul 89*

[Text] Departments in charge of supplying the means of agricultural production across our province have actively engaged in activities to support summer harvesting, sowing, and field management. By the end of June, over 2 million metric tons of chemical fertilizers, up 7.7 percent from the same period of last year, over 16,000 metric tons of insecticides, over 20,000 atomizers, and 1.4 million medium-size and small farm implements had been supplied to the rural areas. Prior to summer harvesting, sowing, and field management, the province's supply departments of the means of agricultural production had stepped up shipping materials supplied by the state and had imported supplies with foreign exchange raised by the departments themselves.

To lighten the peasants' burden, the means of agricultural production have been supplied to the peasants at prices within government-set ceilings. Jingdezhen, Qingan, and other localities have even supplied peasants with urca at subsidized prices. Many material supply units have also provided services on how to apply fertilizers and insecticides, how to carry out field management, and how to repair and maintain farm machinery as well as technical consultative services.

### **Zhejiang Circular Stresses Land Management**

*OW1881930 Hangzhou Zhejiang Provincial Service in  
Mandarin 0900 GMT 10 Aug*

[From the "Provincial Hookup" program]

[Text] The general offices of the provincial party committee and the provincial government issued a circular

recently which announced that, beginning this September and every year thereafter, a month-long propaganda campaign will be launched throughout the province on land management law and education to ensure that the people have a correct understanding of what state-owned land means.

The circular points out: Our province has a big population but little cultivated land. Cultivated land on a per capita basis has dropped from 1.38 mu in 1952 to 0.62 mu now, making Zhejiang the province with the smallest area of per capita cultivated land in China. The meager resources on the per capita cultivated land is now a factor that is seriously restricting our province's economic development. The policy of protecting the resources found on farmland is a basic national policy that must be adhered to for a long time to come because it has a direct bearing on the rise or fall of the state as well as on the livelihood of our future generations. This policy is of particular importance and urgency for Zhejiang Province.

The circular calls for vigorous efforts to work successfully in publicizing the following aspects by closely integrating them with local realities during the month-long propaganda activity to be launched this September: The basic national policy of protecting cultivated land must be publicized and implemented and the awareness of the peasants of the importance and urgency of land management must be enhanced. In the meantime, the drawing up of a legal system with regard to the land must be publicized and strengthened to uphold the necessity and importance of land management in accordance with the laws. In line with the principle of ensuring ample food for the people while simultaneously promoting the development of construction, we must publicize the equal importance of broadening sources of income and cutting down on expenses, and implementing a policy of planned management of the land set aside for construction. This must be done so that we may give play to the important role of the land in maintaining a basic balance between the total demand and total supply of land resources.

Meanwhile, it is necessary for us to expose the incorrect practice of eating from the same big pot with regard to the use of land in our country. We should do this by publicizing the necessity of reforming the system of how the land is used and by implementing a policy of remuneration for the use of land. It is also incumbent upon us to publicize the necessity of implementing unified land management in both urban and rural areas and to establish and to consolidate a new order of land management. During the month-long propaganda campaign, every locality will be required to examine how the land management law is being enforced and to deal sternly with a number of cases of illegal occupation of the land.

### Professor Sees Prodemocracy Movement as 'Important Lesson'

40050589 Hong Kong CHAO LIU [TIDE] in Chinese  
No 28, 15 Jun 89 pp 9-10

[Article in the "Special Issue on the Beijing Massacre" by Professor Zhang Zonghou 1728 1350 0624, chairman of the Chinese Institute of Democracy and Rule of Law: "Popular Morale, Student Movement, and Society's State of Mind"]

[Text] This article was submitted to this journal by Professor Zhang Zonghou in late May. At the time of its publication, the Beijing student's peaceful sit-in demonstration has been designated a "counterrevolutionary rebellion." This is entirely unexpected by the people.

The author is a well-known jurist of the new generation in Beijing. He is 44 years old. He was the head of the editorial department of the ZHONGGUO FAZHI BAO [CHINESE LEGAL SYSTEM]. He devotes himself to the study of democracy and legal systems and advocates rationalism and the legal system and the establishment of the true principle of rule of law through political reform.

It began with the mourning of Hu Yaobang's death and was followed by the students' procession, strike, and even hunger strike in demand of democracy and freedom, an end to corruption, and the speeding up of reforms. On 17 May, we saw the largest demonstration ever in China's national history, when several million workers, peasants, soldiers, and students marched together as one. Popular feeling ran high in this crowd where I found myself, and I could not help but wonder: Nothing like this happened during the Great Leap Forward, which proved disastrous for the country and the people. Not even a crow or a sparrow could be heard during the most tragic "decade of calamity"—the people were silent. Then why this huge explosion of popular sentiment at this time, when a decade of reform and opening up has just put China on the path of modernization?

The first thing that comes to my mind is that, like what happened repeatedly in the history of all nations, if the people suppress their anger and do not speak out under despotic rule, they will pay the high price of rolling back history. If we look at today's aroused public sentiment from this perspective, the people's outburst is partly their expression of resentment toward the many abuses in life and partly an expression of hope. It is because they have hope that they struggle. If they had no hope, they would wait silently for things to explode. At this time, sagacious and farsighted politicians and supreme decisionmakers who have a sense of historic responsibility should consider how to make use of this popular morale and seize the opportunity to promote and expedite reform.

Furthermore, all recorded history show that faith is the core of the ideologies of the times. Human beings are the

soul of all things on earth; their behavior follows an eternal law: people are willing to do their utmost only if they know what they are struggling for or if they have faith in what they are struggling for. Although the Great Leap Forward of 1958 was proved later to have been a ridiculous farce, at the time, widespread and intensive propaganda convinced almost everybody that this was Communism's "quick march forward" to a happy life for the people. Even during the chaotic Cultural Revolution, when the country was turned upside down, the banner being hoisted was "big democracy" and the purge of a handful of "capitalist roaders," and many people believed that, although things were a bit chaotic at the time and there were suffering and grievances, things would get better. Not so any more. A decade of reform has let people know things they could not have known before, and it has given them high expectations, too. No official has stepped forward to take responsibility for the repeated errors in decisionmaking. Soaring product prices have caused seething popular discontent. No one knows if corruption of power would ever be stamped out. Bureaucratic profiteering runs amuck and allocation is riddled with inequities. All these have distorted the people's minds. Supposedly, there would be a few years of belt-tightening for everybody. But those who have power and influence still ride in their luxury cars and eat sumptuous meals. Supposedly, there would be improvements and rectifications. But so far little of substance has been done. As a result, anger has exceeded the limit of tolerance of belief that "we must pay a price for reform." Faith, understanding, knowledge, and morale coexist with one another. Like fighting a war, those in battle cannot be indifferent to why the war is being fought and how they themselves feel about it. Napoleon understood this well when he said, "those who won battles are people who think clearly and calmly and who act forcefully and swiftly." This issue is vital to our society—the loss of faith and conviction is a most terrible thing; therefore, it is imperative that we reexamine our mistakes and promptly come up with a new way of thinking that is acceptable to the people and which can rally the people.

*The biggest mistake in the 10 years of reform is not education. It is the failure to come up with a new way of thinking in the choice of political reform at the same time a new choice (to develop the commodity economy) was made in economic reform. In other words, we only talked about the need for democracy in general terms, but we made little effort to find out how to achieve democracy, especially the kind of democracy and rule of law which are the core of political reform. Our long-term emphasis on establishing a new order of commodity economy but failure to emphasize establishing a new order of democratic politics is a good example. It also contributed considerably to the biggest mistake in our 10 years of reform. Economic chaos and disorder are due to the failure to introduce the rule of law first. We started the race before we set the rules or used old rules to referee an entirely new game. "Bureaucratic profiteering" and "official profiteering" are the products of lack of control over personal power. The government ignores*

all rules and kicks the ball whichever way it pleases. Corruption of power is the result of the lack of effective rules to punish corrupt officials. The media continue to express uniform opinions because the rule of man prevails and because there is no real and legal protection for diverse opinions. The cadre's lifetime tenure system, "petticoat influences," and undemocratic decision-making processes, and so on, are also due to the absence of clear and strict provisions. In the university students' patriotic procession, there was no mistaking what they wanted. They demanded "democracy," "freedom," and "rule of law, not of man." At this point, we cannot afford

further delays. *We must treat this student movement as an important lesson on democracy and rule of law and as a renewed opportunity to push forward reform of the political system and speed up democratic constructions and the rule of law.*

It seems to me that China is at the threshold of a new era. Should she put forward her other foot that has not yet crossed the threshold? Should she pull back her foot that has already crossed the threshold? This is a critical step, and this is why the people do not wish to see reform suffer a setback.

## EAST REGION

### Jiangsu Governor Addresses Mayors' Meeting

OW2607061689 Nanjing Jiangsu Provincial Service  
in Mandarin 0915 GMT 15 Jul 89

[From "News" program]

[Text] At a provincial meeting of city mayors held on 15 July, provincial Governor Chen Huanyou said: "Since the beginning of this year, governments at all levels and the vast number of cadres and masses throughout the province have done a lot of hard work in seriously carrying out the principles of improvement, rectification, and deepened reform. Over the past 2 months, though affected by the turmoil and counterrevolutionary rebellion in Beijing, the whole province has gotten rid of interference, surmounted difficulties, and thereby basically stabilized the situation in Jiangsu."

Comrade Chen Huanyou dwelled on improvement and rectification in the first half-year in four aspects:

1. The overheated economic growth changed. In January through June, Jiangsu's total industrial output value increased by 9.9 percent over the corresponding period of last year, a margin reduced by 14.4 percent.
2. Since the beginning of this year, investment in fixed assets throughout the province has been reduced. In January through June, investment in capital construction was reduced by 21 percent compared with the corresponding period of last year. The construction of state units' 706 new projects was suspended, and local state units' investments were reduced by 18.9 percent. The scope of construction was kept under control. By the end of June, Jiangsu's deposits increased by more than 3.5 billion yuan over the beginning of the year. Urban and rural savings deposits increased by more than 3.6 billion yuan, an all-time high.
3. We improved the messy sequence of circulation with initial success. Thanks to improvement and rectification, we achieved many results in handling cases of corporations run by party and government organizations and cadres.
4. Price hikes started to weaken. The increase of the prices of vegetables in large and medium-sized cities slowed down markedly. As a result, the state subsidy was also reduced. During the turmoil period, all workers and staff in the province surmounted difficulties, ensured supplies on the market, and made contributions to stabilizing the situation.

### Jiangxi Governor Praises New Radio Program

OW2308122089 Nanchang Jiangxi Provincial Service  
in Mandarin 1045 GMT 21 Aug 89

[Speech by Governor Wu Guanzheng, in dialect, at the opening of special program *A 1,000-Li Trip Along the Gan Jiang* by the Jiangxi People's Broadcasting Station to mark the 40th anniversary of the founding of the People's Republic of China; prerecorded]

[Text] The special program to mark the 40th anniversary of the founding of the People's Republic of China—*A 1,000-Li Trip Along the Gan Jiang*—prepared by the Jiangxi People's Broadcasting Station is now on the air for listeners. This is a very significant ideological education activity dedicated to the celebration of the 40th anniversary of the founding of the People's Republic. It will play a positive role in inspiring us to uphold the four cardinal principles, to persist in reform and opening to the outside world, to undertake the four modernizations, and to develop Jiangxi.

On behalf of the provincial party committee and the provincial government, I hereby extend my warm greetings to the special program, and give my heartfelt thanks to the comrades of the provincial radio station for working hard in the production of the program. At the same time, I encourage you listeners in Jiangxi to tune in to this program and hope that you will like it.

The 1,000-li Gan Jiang is Jiangxi's [word indistinct]. The surging water in the Gan Jiang irrigates 49.7 percent of the land for the 17 million people in the province. The land along the Gan Jiang is fertile and is worthy of being called the land of [word indistinct]. Famous scholar Ouyang Xiu, national hero Wen Tianxiang and outstanding scientist (Deng Xin) were brought up in the Gan Jiang region. [words indistinct]

Today, the people in the Gan Jiang region, under the party leadership and the guidance of the party line laid down since the 3d Plenary Session of the 11th CPC Central Committee, have made great contributions to the building of the two civilizations.

The special program, *A 1,000-Li Trip Along the Gan Jiang*, reflects the prosperity of the 23 counties and cities along the Gan Jiang. Their prosperity is a part of the great achievements made by this province during the 40 years since the founding of New China, particularly since the 3d Plenary Session of the 11th CPC Central Committee, as well as representing the epitome of the changes in Jiangxi.

When we celebrate the 40th anniversary of the founding of the People's Republic, we should keep firmly in mind that our victory did not come easily, that it was won after many revolutionary martyrs shed their blood and gave their lives. [words indistinct]

We should use the guidelines of the 4th Plenary Session of the 13th CPC Central Committee and Comrade Deng

Xiaoping's speeches to unify our thinking, [word indistinct] the past and plan the future, and to have a firm faith in communism and in the socialist road. We should take a clear-cut stand in upholding the four cardinal principles and opposing bourgeois liberalization, strengthen ideological and political work, and step up the building of the spiritual civilization. We should carry out an education in Marxism, strengthen party building, and overcome the corrupt phenomena. We should make great effort to educate people in the revolutionary traditions of self-reliance in doing hard pioneering work. We should also enhance our national vigor with ideological education in patriotism and socialism.

I hope that the communists, cadres, and people in Jiangxi Province will work more firmly under the new collective leadership of the party Central Committee with Comrade Jiang Zemin at its center, in accordance with the basic line of one central task and two basic points laid down by the 13th National Party Congress; that they carry forward the cause and forge ahead into the future, continue to march forward bravely, work hard with one heart and one mind, and make even greater contributions to developing Jiangxi and to building China into a powerful socialist country. Thank you.

## CENTRAL-SOUTH REGION

### Night Life Thrives in Guangzhou City

OW2208054989 Beijing XINHUA in English  
0140 GMT 22 Aug 89

[Text] Beijing, August 22 (XINHUA)—Television and radio blast and blare away until two in the morning; cinemas are multi-purpose, and besides showing films, they present video shows and organize dances, and they have a bar—this is a scene of a night in South China's more open Guangzhou City described by CHINA DAILY today.

"I love the rich and colorful night life in this southern city," said a young Beijinger who went to Guangzhou for a business trip. "Sometimes when I come to the city, I visit the night bazaars there."

The city has over 10,000 licensed private stores and stands, which open far into the night, selling fashions, local snacks, cosmetics, fruit, beer and cigarettes. Even the state-owned stores such as the Nanfang department store, one of the 10 largest department stores in the country, is open until 10 in the evening.

"I usually go shopping in the evening because I work during the day," a middle-aged woman said, "furthermore, after supper, I like visiting the night bazaars, it's a kind of entertainment."

As most people in Guangzhou don't go to bed until far into the night, they usually eat a midnight snack. After shopping or leaving a concert, people often get a snack on the way home.

"I would like to spend five yuan to sit down and relax and eat something in the evening," Xiao Zheng, a taxi driver, said. "Meanwhile, I might spend another five yuan to have my car washed," he added.

Many Guangzhou residents take a second job at night to earn extra money. College teachers have part-time jobs lecturing at night schools. Engineers sometimes work on a project for another corporation. College students act as tutors.

"But for my part-time jobs in the evening, how could I buy a color television and a refrigerator," a college teacher said.

"I now teach part-time in an evening college every Monday, Wednesday and Friday nights," he said, "besides my monthly salary, I can earn 700 to 800 (some 210 U.S dollars) yuan more per month."

## NORTHEAST REGION

### Local Party Leadership Initiated for Enterprises, Institutions

40050422 Beijing LIAOWANG [OUTLOOK] in Chinese  
No 11, 13 Mar 89 p 13

[Interview with Jia Fulin 6328 4395 2651, deputy secretary of the Mudanjiang Municipal CPC Committee, by Yin Min 1438 3046; date, place not specified: "A New Pattern of Local Leadership for Party Organizations in Enterprises and Institutions"]

[Text] Mudanjiang City in Heilongjiang Province is one of the cities selected for experiments in China's political reform. In accordance with the call made by the 13th CPC Congress to put party organizations in enterprises and institutions under local leadership, and proceeding from local conditions, the Mudanjiang Municipal CPC Committee has decided to establish a new leadership structure, putting party organizations in enterprises and institutions under three levels of local leadership: Party committees of large enterprises and universities and colleges are led by the municipal party committee; party organizations in medium-sized enterprises and institutions at the department level are led by an industrial party committee, a representative organ of the municipal party committee; and party organizations in small enterprises and institutions at the section level are led by district party committees. After a year of work, this new structure is basically established.

Why does the Mudanjiang Municipal CPC Committee want to set up an industrial party committee to lead the party organizations in medium-sized enterprises and institutions? To find out, the reporter paid a visit to Comrade Jia Fulin, deputy secretary of the Mudanjiang Municipal CPC Committee.

**Jia Fulin:** We have formed an industrial party committee to provide local leadership for party organizations in medium-sized enterprises and institutions, because of

the rather large number of medium-sized enterprises and institutions in the city—30 percent of the total—and because of the large amounts of profits and taxes delivered to the state by medium-sized enterprises. In 1987, the city's enterprises delivered a total of 450 million yuan in profits and taxes, of which 270 million yuan, or 60 percent, was turned in by medium-sized enterprises. The medium-sized enterprises also have a strong driving influence on the operations of county and township enterprises. Particularly with the in-depth development of the economic restructuring, an increasing number of interregional and intertrade enterprise groups are being formed with large and medium-sized enterprises playing a leading role, and this has added to the importance of the large and medium-sized enterprises. The success or failure of party building in the medium-sized enterprises and institutions has a direct bearing on the success or failure of party building in the city's enterprises and institutions as a whole. Therefore, the party's work in medium-sized enterprises and institutions needs to be led by a strong and fairly high-level local party committee.

On the other hand, if the party organizations in medium-sized enterprises and institutions are placed under the leadership of the district party committees, there will be problems. First, because the two are of equal status in the party hierarchy, it will be difficult for one to exercise leadership over the other; and second, the work load will be too much for the district party committees. However, if the party organizations in these enterprises and institutions are all placed directly under the municipal party committee, the number of party committees directly led by the municipal party committee will increase from 99 to 240, which is impossible to handle in any case. Moreover, if the municipal party committee is bogged down in routines and specifics, it will not be able to do a good job in exercising overall political leadership or in guiding party building in these enterprises and institutions.

**■Yin Min:** Neither the district party committees nor the municipal party committee can do it all. That's why you have formed this industrial party committee?

**Jia Fulin:** Yes. We believe that the formation of an industrial party committee is a good way to provide local leadership for party organizations in medium-sized enterprises and institutions in medium-sized cities like Mudanjiang. First, as a representative organ of the municipal party committee, the industrial party committee is a fairly high-level party organization. Second, comrades with more experience in party building can be transferred to the industrial party committee to make it more efficient. Third, the industrial party committee can concentrate more of its energy on party building, which is its basic function. At the same time, the party constitution stipulates that party committees at and above the county level may send out their representative organs. The industrial party committee is a representative organ of the municipal party committee and functions as a

local party committee. Therefore, the formation of the industrial party committee is in line with the provisions of the party constitution.

**■Yin Min:** What, then, is the relationship between the industrial party committee and the administrative departments? What are the committee's responsibilities?

**Jia Fulin:** The industrial party committee is not a level of party organization set up in any administrative department. It works among the administrative bureaus (corporations), commissions, and offices. It provides local, instead of vertical, leadership to enterprises and institutions. It handles party affairs on behalf of the municipal party committee, and will not become a "shadow administration." The industrial party committee's responsibilities are: First, it should make sure that the party's basic line for the new period is implemented. Second, while respecting the enterprises' right to make their own decisions and adhering to the principle that the party handles party affairs, it should establish and perfect various systems so that the party's work in enterprises and institutions will be brought onto a scientific, institutionalized, and standardized path. For example, it is necessary to establish and perfect a control and evaluation system for regular party activities, party member education, democratic supervision, and party-building work; a system of regular meetings of secretaries of primary party committees; and a system of two-way contacts with related bureaus (corporations). Third, it should carefully study the characteristics of party-building work in different fields and types of enterprises and institutions in order to give concrete guidance that is relevant and to the point.

**■Yin Min:** Having party organizations in enterprises and institutions led by local party committees is not a simple change of jurisdiction, but an attempt to alter the organizational system. It seems to be conducive to really separating party from government.

**Jia Fulin:** Yes. By putting the party organizations in enterprises and institutions, which were formerly led by bureau party committees, under the leadership of the industrial party committee, which represents the municipal party committee, and the district party committees, the leadership system for party work and that for administrative work in enterprises and institutions will be separated, putting an end to the situation in which the party substitutes itself for the government and handles both party and government work, and creating the conditions for structurally separating party from government and government from enterprises. At the same time, by setting up the industrial party committee and abolishing the bureau (corporation) party committees, the party's working organizations will no longer be set up according to the production and administrative systems, which are based on product and economic conditions. It will ensure organizational implementation of the administrative leaders' responsibility system and factory directors' responsibility system and enhance the development of productive forces.