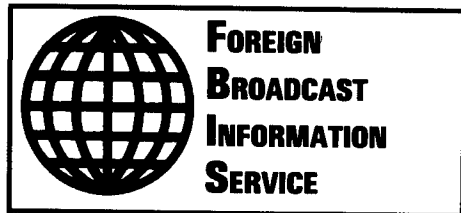


JPRS-CAR-89-039  
3 MAY 1989



# ***JPRS Report***

# **China**

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## SOUTHEAST ASIA/PACIFIC

### **Pacific Region Economic Rivalry, Cooperation Analyzed**

40050305 Beijing GUOJI WENTI YANJIU  
[INTERNATIONAL STUDIES] in Chinese  
No 1, 13 Jan 89 pp 1-3

[Article by Wang Lin 3769 2651: "Current Status and Prospects for Economic Cooperation in the Pacific"]

[Text] The Pacific Ocean region is filled with vitality; the economy is developing very rapidly; and prospects are extremely good. But views differ from one country to another, there are very many conflicts, and difficulties remain numerous. All countries will have to follow the principles of peaceful coexistence, mutual respect for each other, and equality for all while also helping supply each other's needs, and learning from each other's strong points to remedy their own weaknesses on the basis of equality and mutual benefit. If they can genuinely abide by these principles, economic cooperation in the Pacific may be able to surmount difficulties and move ahead.

In recent years, headlines such as "Pacific Ocean Century," and "New Era in the Pacific" have appeared with increasing frequency in publications in Japan, the United States, and some other western countries. People in positions of responsibility in political, economic, entrepreneurial, and academic fields in these countries have also discussed ideas about how to strengthen the Pacific Ocean economy. Japan, in particular, has expanded research organizations, run discussion groups, and sent fact-finding delegations to Asian and Pacific countries in intensified study of this topic. Japanese, American, and Soviet leaders have all offered proposals on how to strengthen economic cooperation in the Pacific.

One reason for this rising "Pacific craze" is the rapid development of the Pacific region economy in recent years, which greatly exceeds that of other areas, and which has had an increasingly great influence on the world economy, thereby attracting widespread attention throughout the world. Japan is already a major economic power and a major creditor nation, and the "four small tigers" [Hong Kong, Korea, Singapore, and Taiwan] have achieved startling development. At the same time, China, ASEAN, and other developing countries have scored very great accomplishments in the building of their economies. During the 1960's, Japan's economy grew by an average 10 percent per year. During the 1970's, ASEAN averaged a 7-percent annual growth rate, and the "four small tigers" had a 9-percent growth rate. From 1965 through 1980, developed countries in the Pacific region averaged an annual 3-to-6-percent rate of growth, while ASEAN averaged between 6 and 8 percent, and the "four small tigers" averaged between 9 and 10 percent. During the early 1980's the growth rate declined, averaging between 2 and 4 percent for developed countries between 1980 and 1985. However, output continued to increase in the "four small tigers" and

ASEAN, particularly exports. The total value of trade as a percentage of gross national product increased to 109 percent in the "four small tigers," and 43 percent in ASEAN, greatly exceeding the world rate of 29 percent. During 1986 and 1987, it increased by an average of 10 percent per year in the "four tigers." Today, the Asia and Pacific region accounts for 50 percent of the world's gross national product, and for 40 percent of world trade.

A second reason for the interest is that the Pacific Ocean region offers a great economic potential since it covers a vast area, has a large population, plentiful products, and an extensive market. Pacific Ocean region developed countries imports from this region in 1985 amounted to between 57 and 81 percent of their total imports, and exports to it amounted to between 47 and 83 percent of their total exports. Japan's imports from the region increased from 50 percent in 1980 to 58 percent in 1985, and its exports to the region rose from 55 to 68 percent. The U.S. trade with the FRG, France, the UK, and Italy declined 7 percent between 1980 and 1986, but its trade with this region increased 21 percent. The Pacific region has become a very attractive place to invest. During 1986 and 1987, private foreign investment in the Pacific region increased 50 percent, and the increase was even greater in the "four small tigers" and ASEAN, increasing more than 100 percent in some places. All the countries of the Pacific region are currently engaged in readjustment and reform, and developing new technologies to set the stage for new productivity to meet the challenges of the new industrial and technological revolution. All countries are developing their economies and scientific and technical competition, and launching new products to increase their competitiveness in world markets. At the same time, they are also deepening mutual dependence and further strengthening mutual cooperation and mutual coordination.

Of course, yet another reason for the interest in this region is the decline in the economic strength of the United States and the USSR, and the development of multipolarity in the world economy. Since the end of World War II, the United States has been a major influence in the Asia and Pacific region where numerous countries and regions receive its "protection" and "patronage." In recent years, the Soviet Union has strengthened its military forces in the Asian and Pacific region, and has conducted an intense struggle with the United States. However, economic difficulties are increasing for both the United States and the USSR; their domestic and foreign burdens are great; and they have reached the stage where reform and readjustment are imperative. At the same time, Japan's per capita output value has become greater than America's; in many sophisticated fields of science and technology, it is on a par with or ahead of the United States; and it is anxiously planning to surpass the United States in every way during the next century and enter the ranks of a political power. Moreover, the "four tigers," which have hitherto enjoyed American "patronage," have also developed rapidly, showing a trade surplus of \$10 billion annually. As a result of the multiple polarization of the

world, as elsewhere in the world, the economic relations and the economic pattern in the Pacific region are undergoing profound changes.

Because of their steady economic development and intense competition in world markets, the countries of the Pacific have a need and a desire to strengthen regional economic cooperation and trade relations. At the same time, however, there are very great differences in the history and economic systems of individual countries, a very great disparity in their level of development, and their individual interests and aspirations also differ. Consequently, the situation is extremely complex, and there is much dissension and conflict.

As long ago as the early 1960's, when its economy was developing rapidly, Japan proposed establishment of a "Pacific Ocean Free Trade Zone." Chambers of Commerce and business organizations in the five developed countries of the Pacific region (the United States, Japan, Canada, Australia, and New Zealand) founded the "Pacific Basin Economic Council" (PBEC) in 1967, and accepted the participation of developing countries. Today there are 16 members, which hold a meeting once each year. To date, there have been 21 meetings. Not long afterward, the Japanese Economic Center held the first meeting of the "Pacific Trade Advancement Conference" (PAFTAD) in Tokyo in January 1968, which was attended by both developed and developing countries in the region. To date 16 conferences have been held. Still later, Japanese Premier Ohira expressed greater interest in Asian and Pacific cooperation. During a visit to Australia in January 1980, he and Australian Prime Minister Frazer issued a joint proposal, and in September of the same year the "Pacific Economic Community" discussion meeting was held in Canberra, with delegates in industrial and commercial fields, the academic field, and government from various countries taking part. During the third meeting in Indonesia, the name "Pacific Economic Cooperation Conference" (PECC) was formally adopted. In September 1986, China and Taiwan Province (under the name "China (Taipei)") formally joined this conference, the number of members thereby reaching 15 countries and regions (including the United States, Japan, China, Canada, Australia, New Zealand, the six ASEAN countries, South Korea, China (Taipei), and a group made up of South Pacific island nations). However, the Pacific Economic Cooperation Conference was still just a forum for the exchange of views, as well as a rather loose and still developing organization. Many delegates maintained that the way in which Pacific Ocean economies were developing could not be served by general exchanges of views and forum style discussions, but there was no unanimity of view as to how to promote this cooperation. More recently, Japan, the United States, and other countries, including former Japanese Prime Minister Nakasone and American Secretary of State Schultz, have proposed strengthening Pacific Ocean cooperation, but without mentioning specifics. This situation reflects the development of the Pacific Ocean economic situation, as well as its complexity and difficulties.

Ideas about Pacific economic cooperation vary greatly among the countries and regions of the Pacific in terms of their own interests. The United States has very great economic difficulties. It is encountering fierce competition in foreign markets from Japan, the EEC, and the "four small tigers," and economic frictions have increased particularly with Japan. It is experiencing huge deficits year after year in both foreign trade and its budget; its foreign debt is steadily increasing; and it must rely on investment by its allies, especially Japan. In order to improve its unfavorable situation, the United States is not only pressuring Japan and the "four small tigers" to open up their markets, but it has also signed a bilateral free trade accord with Canada, and it is in process of sounding out Asian and Pacific countries and regions on prospects for forming a free trade group linked by bilateral free trade agreements in which the United States is paramount. However, the United States is having hard sledding with this plan. Although Japan says it is willing to study it, it is actually opposed to it, and other countries and regions also have many misgivings, finding it difficult to accept. Japan is already an economic and financial power in the process of conducting an economic readjustment and development to strengthen its competitiveness in world markets, and to expand its own influence and find outlets for large scale investment. Naturally, the increasing trade frictions with the United States, and the increasingly intense competition with the EEC and the "four small tigers" pose numerous difficulties for Japan. Furthermore, America's intention to expand its own free trade sphere, and EEC effort to establish a unified market by 1992 intensifies Japan's sense of crisis about the "shadow of economic blocs." Therefore, Japan has different ideas than the United States, proposing the establishment of economic community-type cooperation in the Asia and Pacific region, the conduct of free trade, and opposition to trade protectionism for the sake of its own trade and investment, and for the development of its dominance in this region. Recently, some people and the news media in Japan have played up a so-called "East Asia Economic Sphere" to include the "four small tigers," and the ASEAN countries in the establishment of an economic bloc with a "wild goose style" in which Japan points the way. Japan's investment in the "four small tigers" and southeast Asia has also increased greatly. Japan wants them to move gradually, as the different levels of their technology permits, toward serving its high technology precision industries.

Dissension and conflicts are numerous in other regards. Each of the "four tigers" has its own scenario. Though they are all very much against American protectionism, particularly America's wanting them to reduce their favorable balance of trade, raise their exchange rates, and open up their domestic markets, their reliance on the American export market is still very great. In addition, they cannot do without the supply of materials and technology transfers from the United States, so they cannot entirely run along with Japan. Naturally they wish Japan would accommodate them and give them preference in investment, technology, and the opening of domestic markets, yet they are also apprehensive about competition from Japanese products. In addition, they

are even more wary about Japan's intention to dominate their economies. ASEAN countries welcome investment and technology transfers from Japan and other developed countries, but they also worry that this Pacific cooperation might have a negative effect on growing ASEAN unity. On the basis of historical experience, they are also extremely vigilant lest Japan gain a controlling position as a result of this cooperation.

The USSR formerly maintained a critical and sniping attitude toward Pacific economic cooperation, but a complete change occurred following Gorbachev's July 1986 speech in Vladivostok; now the USSR expresses very great interest in participation in economic cooperation in the Pacific. Yevgeni Primakov, director of the Soviet World Economics and International Relations Institute, said in a speech at the Osaka meeting of the Pacific Economic Cooperation Conference in May 1988, which he attended as a guest, that the USSR has abandoned its previous erroneous view of Pacific regional organizations and was interested in taking part in the Pacific Economic Cooperation Conference. In September 1987, the Conference's Standing Committee discussed the application for membership of the USSR and other countries, but decided to delay the issue of new members until the November 1989 meeting to be held in New Zealand since the Conference's organizational foundation was still rather weak. Nevertheless, three of the conference's special topic panels have already accepted USSR membership.

Economic development in the Pacific during the past several years shows the region to be full of vitality. Its economy has developed very rapidly, and the outlook is extremely good. Nevertheless, viewpoints differ; there are very great conflicts; very many difficulties remain, and a very long road lies ahead. Genuine advances in Pacific economic cooperation will require that the individual countries and regions of the Pacific, particularly the large developed countries, strive to maintain peace and stability in the Pacific region to enable this region to become a place in which there is friendly cooperation, and mutual help and understanding rather than a scramble for power and profit and expansion of spheres of influence. All countries and regions will have to follow the principles of peaceful coexistence, mutual respect, and equality for all, with no cheating of the poor in order to get rich, no use of force to bully the weak, and no interference in the internal affairs of other countries or transgressing the sovereignty of other countries. In addition, each must help provide the needs of others, and each must learn from the strong points of others to remedy their own weaknesses as a matter of equality and mutual benefit. In matters having to do with trade, prices, technological transfers, loans, and investment, there must be fairness and reasonableness, benefiting other people as well as oneself, no national egotism and protectionism, and no intentional holding back of skills or purposely controlling others. If these principles can be genuinely abided by for a strengthening of cooperation, then Pacific economic cooperation will be able to surmount difficulties one by one and advance to realize the

ideal of safeguarding peace and strengthening cooperation in the Asian-Pacific region.

## SUB-SAHARAN AFRICA

**Obstacles to Peace in Namibia, Angola**  
*40050272 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 2, 16 Jan 89 pp 14-15*

[Article by Wang Yingying 3769 7727 7727: "Southwestern Africa: Can the Peace Boat Reach the Other Shore Safely?"]

[Text] A piece of good news, long awaited by the whole world, finally came at the beginning of the new year. The foreign ministers of Angola, Cuba, and South Africa formally signed a peace agreement at the UN. The agreement provides for the gradual realization of Namibia's independence beginning on 1 April 1989, according to UN Security Council Resolution 435, and the phased pullout of all Cuban troops from Angola within 27 months. The peace agreement has brought hopes for independence to the Namibian people who have suffered for a long time under South African occupation, and for the first time in 13 years the Angolan people can see the dawn of peace.

### Difficult Start for the Peace Boat

Negotiations for the peace agreement actually dealt with two complicated issues: the withdrawal of Cuban and South African forces from Angola and the independence of Namibia. The two issues involved many players: Angola, Cuba, and South Africa, the three concerned parties in the negotiations; the United States and the Soviet Union, who took part in the dealings openly or behind the scenes; and the South-West African People's Organization (SWAPO) and the National Union for the Total Independence of Angola (UNITA), who did not appear on the stage but are directly related to Namibian independence and peace in Angola. The negotiations not only had to resolve conflicting strategic and economic interests, but involved the political influence and diplomatic "face" of all sides. Particularly because the South African authorities still persisted in racism and regional hegemony, their stubborn attitude made the negotiations all the more difficult. It took 8 months and 11 rounds of talks, beginning in May last year, to reach the agreement. It can be seen how difficult it has been for the peace boat to get under way.

The formal signing of the peace agreement marks a substantive move forward in the process of peace for southwestern Africa. The basic reasons that it has happened are: 1) the impact of the universal call for peace and development, which is the historical trend of the world today, and of the current trend in international relations toward relaxation; and 2) the realization by all sides in the conflict after protracted trials of strength that it is impossible to solve the problems by military means and that continued confrontation will lead nowhere.

Willingly or not, the South African authorities, under strong international pressure and after weighing the pros and cons, were finally forced to sign the agreement.

### **Rough Sailing for the Peace Boat**

The signing of the agreement was not easy; implementation is even harder. The problems of southwestern Africa are complicated, with meddling by outsiders, factional conflicts within the area, and unpredictable behavior of South Africa, the only country with a system of apartheid in the world today. Therefore, all concerned parties still have to work very hard in order to enable the peace boat to reach the other shore safely.

**First, the key to implementing the peace agreement lies in a peaceful settlement with the state of Angola.**

UNITA, headed by Jonas Savimbi, now has an armed force of about 40,000 men. It has established base areas in southeastern Angola, occupying about one-third of the country. Internally, it has as its base the Ovimbundus, who make up 40 percent of Angola's population, and externally, it is supported by the United States and South Africa. It has wrestled with the Angolan Government continuously for the past 13 years. Because it was excluded from the four-sided talks, UNITA was extremely disgruntled. Even while the four-sided talks were still in progress, UNITA warned that it would not be bound by any decisions they made and threatened that "unless consideration is given to the position of UNITA in this country, there can be no real cease-fire in Angola." When the four partners to the talks signed a protocol, UNITA issued a statement saying that "for the sake of peace, freedom, and national reconciliation, it will continue the armed struggle."

The Angolan Government has always taken an uncompromising stand on the UNITA question, refusing to hold direct talks with UNITA as an opposition party, particularly with its leader, Savimbi. At present, the Angolan Government's policy toward UNITA has changed from "extermination" to "amnesty and enlistment," meaning that UNITA members can cross over to the government side. It regards this as the only way to realize domestic peace in Angola. It is said that some African countries have suggested that Savimbi temporarily move to some other country and let other UNITA leaders hold talks with the government. However, UNITA has rejected Savimbi's absence as a condition for peace talks, and Savimbi insists that UNITA must exist as a political party, which, he claims, is essential for Angola's democratization. So, no plan has yet been found that is satisfactory and acceptable to both sides. Even if the two sides do sit down and talk, there is little room for optimism in view of the deep, accumulated rancor between them.

According to the agreement, South African forces have already pulled out from southern Angola and South Africa should end its aid to the UNITA. However, it is very doubtful that South Africa will do so. Besides, South African troops have merely withdrawn to neighboring Namibia, and can return to Angola to support UNITA and threaten the Popular Liberation Movement of Angola (MPLA) government at any time. The United States also made it clear recently that as long as the Soviet Union continues to give aid to the MPLA, the United States will not unilaterally end its aid to UNITA. It is obvious that the UNITA issue is a hidden obstacle to implementation of the peace agreement. Unless a proper solution can be found, it is bound to affect the withdrawal of Cuban troops from Angola, and once that happens, South Africa will play the same old trick and break its promise again. The lesson of South Africa's violation of the "Lusaka Agreement" and repeated intrusions into southern Angola in 1985 is still fresh in people's memory.

**Second, many obstacles must be overcome to realize Namibian independence.**

UN Security Council Resolution 435 on Namibia's independence was adopted 10 years ago. Because the South African authorities regard Namibia as a "shield" to block the communist advance to the south and as its "strategic metals storehouse," they have kept creating new issues to obstruct the resolution's implementation. Though SWAPO is recognized by the UN as the only legal Namibian organization, it is suppressed by South Africa and the pro-South Africa "interim government" of Namibia, and its activities in the country are limited. It is also troubled by internal discord. Thus it is in a rather difficult situation. To be sure, if a fair general election can be held according to the agreement, the SWAPO has a very good chance of winning because it is backed by the black masses. However, it is very possible that the South African authorities and the Namibian "interim government" will play tricks, juggle things, undermine the election, and even create disturbances as an excuse to refuse withdrawal of troops from Namibia. Next year will be South Africa's general election year. The right wing of the white ruling clique is firmly opposed to Namibian independence, and the Botha regime will be subjected to pressures. A turbulent political situation may cause the South African authorities to renege on the agreement.

In short, the signing of the peace agreement has laid a good foundation for peace in southwestern Africa and greatly reduced the heat in southern Africa, a hot spot in the world. This is cause for elation. However, at the same time, people should have a clear understanding of the factors blocking the peace process. The road to something good is always strewn with setbacks. Only by overcoming the fierce winds and waves, will the peace boat reach the other shore victoriously.

### Professor Proposes Reforms in Political, Legal Systems

40050284 Shanghai WEN HUI BAO in Chinese  
14 Jan 89 p 4

[Article by Yu Haocheng 0060 3185 2052, director and professor of the China Legal System and Social Development Research Institute: "Problems in the Reform of China's Political Structure and the Development of Its Legal System"]

#### [Text] 1. On Reform of the Political Structure

The objective of the structural political reform is political democratization, that is, establishment of a highly democratic socialist political system. At present, we must see on the one hand that political democratization is a long and gradual process that cannot be accomplished overnight and, on the other hand, the urgent and practical need for democracy. During the last year, the media have talked more about the former, which is good in helping some people overcome their impatience, but which also gives the impression that democracy is being pushed into the distant future. True, Marx did say that the level of democratic development will be restricted by economic, cultural, and other conditions, but Engels later said that to regard the economic factor as the only factor is also a misinterpretation of historical materialism. Economic modernization and political democratization should be mutually supportive. There can be no socialism without democracy, and we should feel the urgent and practical need for democracy. The many democratic demands made by Comrade Mao Zedong in his article "On Coalition Government" (his political report to the 7th CPC National Congress), written during the war of resistance against Japan, were put forward as the fighting goals for a new democratic China. The political slogan at that time was to build an independent, democratic, prosperous, and powerful new China. How can it be that we still haven't realized this goal 40 years after the founding of the People's Republic? The resolution of the 6th plenum of the 12th CPC Central Committee pointed out that since the founding of the People's Republic, we have made two serious miscalculations: first, we have failed to muster all our resources to develop the productive forces and a commodity economy; and second, we have failed to substantially extend democracy. The so-called "mass democracy" is not democracy, but exactly the opposite of democracy, or anarchism. Even the bourgeoisie stresses legality and discipline and cannot tolerate anarchism. In fact, anarchism is often a punishment for the lack of democracy and for despotism and bureaucratism. Since we have criticized "mass democracy," it is all the more important for us to promote democracy. Otherwise, anarchism will continue to find support among some people and may still manifest itself sometime. The question is not whether we can, but whether we want to have democracy now. I have an idea. Just as we allow some people to get economically rich before others, can't we also allow some people to have more democracy, that

is, to enjoy more democratic rights, before others politically? For example, democracy can be practiced to a fuller extent in schools, cultural and educational departments, academic groups, and among intellectuals. In elections, for example, why can't we let the masses vote freely, instead of having candidates predetermined by higher authorities? In fact, there is nothing to be afraid of. Even if a few bad persons get elected, the masses can exercise their right of recall, which is good training for the masses in democracy. At present, elections in our academic societies and associations are democratic in form only, almost always with a list of candidates examined and approved beforehand by the party committee and then passed by the masses who perfunctorily raise their hands or circle the names. Why can't this practice be changed? What relation does it have with the inadequate economic and cultural conditions?

#### 2. Reform of the political structure is not merely to support economic reform, but is an objective in itself.

The report to the 12th CPC National Congress [by Hu Yaobang] calls for building China into a culturally advanced and highly democratic modern socialist country. It is obvious that democracy is itself an objective and that it is inappropriate to regard democracy merely as a means, which would diminish the great significance of democratic practice. We often hear the formulation "to build the two civilizations." Actually this formulation is incomplete, as it overlooks the development of democracy and the legal system. Some people call democracy and the legal system the institutional civilization, and in the Soviet Union it is called the political civilization, standing side by side with the material and the spiritual civilizations as the three legs of a tripod. I think this formulation is more complete. We should attach equal importance to modernization and democratization. Therefore, in the initial stage of socialism of the present, our important task is to make up the lessons we have missed, not lessons on capitalism but lessons on commodity economy and democratic politics. Like commodity economy, democratic politics (including democracy, freedom, human rights, humanitarianism, etc.) is an equally indispensable phase of social development, equally indispensable for building a modern country. The lessons we have missed must be made up, and it is nothing to be ashamed of. Some people call it making up missed capitalist lessons and taking the capitalist road, confusing commodity economy and democratic politics with capitalism, which is theoretically wrong and politically very harmful.

#### 3. Democracy is the foundation, and the legal system is the guarantee, institutionalization, and codification of democracy.

Since the 3d plenum of the 11th CPC Central Committee, we have always mentioned the development of socialist democracy together with the improvement of the socialist legal system. An important problem at present is that the people's democratic rights explicitly

stipulated in the Constitution are not guaranteed by concrete laws and regulations. Examples are freedom of speech and freedom of the press. In the past few years, I have said many times that a breakthrough in reforming the political structure should be the achievement of real freedom of speech and freedom of the press. Since the objective of reform of the political structure is to democratize the political life of the state and society, there must be freedom of speech and of the press because they are the most basic conditions for democratization. If the people, as masters of the state, do not have even the right to speak out and express their political views, what democracy and what masters, are we talking about? The principle of "letting a hundred flowers blossom and a hundred schools of thought contend" is the party's policy. However, because it is not guaranteed by law, its implementation has been off and on. Can political issues be discussed? Can laws and policies currently in force be publicly discussed? It seems that there are no definite answers to these questions today. Political openness is one of the essential preconditions for democratization. If everything must be kept secret, and nothing is allowed to be discussed publicly, how can the people exercise their rights as masters of the state to be informed, discuss politics, participate in government affairs, and supervise government performance?

Moreover, enactment of the administrative law (basic law) and the administrative procedure law and establishment of administrative courts are imminent and can no longer be delayed. The draft administrative procedure law has just been discussed and approved by the NPC Standing Committee, and it will be published to solicit opinions from the general public. Government officials and the common people will be equal and it should no longer be a rare occurrence or impermissible for citizens to sue government organizations and officials. The Soviet Union recently passed a law that gives citizens the right to claim damages for economic loss caused by government personnel who have made mistakes in work. It is something that we should pay attention to. In China today, there is no place where citizens can turn when they are treated unfairly and want to file a complaint. This is a situation that must be changed quickly. Not long ago, the Supreme People's Court turned into a claims court its office that handled people's letters and visits, which is a great improvement. At present, some capitalist countries constantly call for "social justice" (which, of course, is impossible in these countries). The Soviet Union sometimes calls for "social justice" too. There is even more reason for us to call for "social justice" and make it one of our fighting goals. It is what we must have to unite the people of the whole country to build a great modern socialist country, working in concert with one heart and one mind.

#### **4. Another major step in reforming the political structure is to reform the cadre system.**

If we want reforms, the question is on whom to rely to carry out the reforms. There should be laws governing the cadre personnel system, and the first thing to do is

cadre classification. There should be a difference between government personnel and people in various social professions (schools, hospitals, publishing houses, theatrical companies, etc.). We should use the civil service system of the West for reference. Laws should be passed to set strict limits on the structure and personnel of government organizations, which cannot be increased or reduced at will. There is talk recently that China plans to take 10 years to implement a civil service law. Isn't that too long? If political reform cannot move as fast as or even faster than economic reform, it may become a hindrance to economic and cultural development and modernization, which is worrisome.

#### **5. China is still in the initial stage of socialism—this is the starting point of all our work.**

On this question, we must be clear-headed. On the one hand, we must oppose the theory of the dying out of class struggle; on the other hand, we must also oppose "taking class struggle as the key link." There is an argument saying that "as democracy grows, dictatorship should not be weakened, but must be strengthened." That is a refurbished version of Stalin's erroneous theory that "as socialism develops, class struggle will become increasingly more acute." It is correct to say that as democracy grows, the legal system must be further strengthened, because the legal system not only suppresses the class enemies, but also regulates all kinds of contradictions in society as a whole. Those who believe that the law is characterized only by its class nature and that class nature is the only characteristic of the law are actually still clinging to the idea of "taking class struggle as the key link." They cannot explain this question: If class nature is the only characteristic of the law, why is it still necessary for us to vigorously strengthen the legal system, after the 3d plenum of the 11th CPC Central Committee declared that class struggle is no longer the principal contradiction in China?

In the past, we did not have a clear understanding of socialism, and we added things that are not socialist in nature to the socialist concept. For example, we held that only a high degree of centralization and that which is large in size and collective in nature are socialist, and so forth. Are there similar misconceptions in political and legal work? For example, in the past, we always held that, under socialism, everything must be initiated and run by the state. We have made state personnel of lawyers and called it a manifestation of the superiority of socialism. Actually, it is very inconvenient. When foreign enterprises in China are engaged in a lawsuit with Chinese enterprises or government agencies, it is hard for them to trust lawyers who are state cadres. Why can't lawyers become legal workers in society?

Moreover, state organs and citizens should be equal politically and legally, and the Constitution is in essence a social charter. However, our criminal procedure law stipulates that the state prosecutors are higher than the defendants. This is wrong, because the legal status of the



two in a lawsuit should be equal. According to the theory of presumption of innocence, the defendant should be presumed innocent until proven guilty. The theory of presumption of innocence is at present still a forbidden zone. It should be allowed to be discussed freely and fully in the legal circles.

#### 6. China's legal system is still inadequate.

In China today, while sometimes "there is no law to follow" (for example, laws have not yet been enacted to govern the press, freedom of association, etc., for protection of the people's democratic rights, nor have the basic administrative laws and administrative procedure laws), at other times "laws are not followed," and the latter is even more serious. The legal system and rule by law are two different concepts. The legal system, according to Comrade Dong Biwu's interpretation, is the overall name for all laws and institutions. The feudal society also had laws and institutions, but it could not be regarded as ruled by law. The feudal society was ruled by men, because a monarch's command was above all laws. In the modern sense, rule by law is linked to democracy, that is, the people as masters rule the country through the Constitution and laws (the capitalist countries are actually ruled by the bourgeoisie). Not only "must there be laws for people to follow," but "these laws must be observed, their enforcement must be strict, and law-breakers must be dealt with." This is the meaning of rule by law, or running the country by law.

During the 30 years from the founding of the People's Republic to the 3d plenum of the 11th CPC Central Committee, we did not quite understand the necessity and importance of rule by law or of running the country by law, which is one of the major causes for the occurrence of the catastrophic Cultural Revolution. This was summed up in the "Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China," adopted by the 6th plenum of the 11th CPC Central Committee. For a long time, we had relied on the party's policies and the launching of political movements, instead of the legal system, to solve problems. Even when laws were adopted, they were often not followed and did not have the authority they should have. This situation has basically changed since the 3d plenum of the 11th CPC Central Committee. However, in the whole party and whole country, especially in public security, procuratorial, and judicial departments and in academic legal circles, far too little has been done to thoroughly understand the problem and eliminate the influence of "leftist" ideas. Consequently, there are still frequent instances of people refusing to follow the law, having power greater than law, using their power to suppress the law, or substituting their words for the law. I think that these phenomena are closely related to our prolonged failure to clearly understand and properly handle the relationship between politics and law. It can

be said that a clear understanding of this problem is the key to removing the obstacles to rule by law. Of course, the importance of politics must not be ignored.

Lenin said that politics is a concentrated expression of economics, and that without a proper political approach to problems, the given class will not be able to maintain its rule. But politics means politics, and it is not true that politics can substitute for everything else or that, in Lin Biao's words, "politics can sweep other questions aside." Politics cannot for substitute art and literature, which has been discussed and made clear by comrades of the literary and art circles. But, can politics substitute for laws? It seems that this question has not yet been seriously considered or completely understood among some comrades. Laws have their own characteristics and consistency, for example, their stability, uniformity throughout the country, fairness, and so forth. Our punishments have always been based on the political needs at the time of sentencing. This practice serves short-term purposes, but results in abnormally light or heavy sentences. Whoever makes the wrong mistake at the wrong time will be given harsh punishments. This may have some deterrent effect for a period of time, but it is devoid of the fair, stable, and uniform character of the law. From the viewpoint of maintaining long-term political stability in our country, whether it is wise to continue this practice is open to question.

Based on the principle and stipulation that no law, rule or regulation may contravene the Constitution, it is suggested for consideration: 1) that rehabilitation through labor be made a formal punishment, to be carried out following a court decision; and 2) that the practice of taking people into custody be abolished. The reason is that the decision by an administrative organ to deprive a citizen of his freedom is in conflict with the provisions of the constitutional guarantee of citizens' right to personal freedom. Our "Regulations Governing Arrest and Detention" stipulates that without approval of a procuratorial organ, a public security organ may not arrest people, which is exactly meant to protect this citizens' right from violation. Taking into custody is, in fact, arrest in a disguised form, and there are many questions in the process, during which citizens' personal safety is not protected by law. This kind of action violates the Constitution and must be corrected.

At present, there are also cases in which policies are placed above the law. This shows, in effect, that "laws are not observed" and takes away the authority and dignity laws should have. For example, the pertinent government departments refuse to follow the marriageable age stipulated by the "Marriage Law" on grounds of the former marriage policy. Another example is the policy of keeping people who have served their terms of reform through labor and should be released, to work at the same farms, which is also without legal basis. In fact, it is a breaking of promise to the people, and the loss outweighs the gain.

**'Simple Life' of Politburo Member Song Ping**  
*40050271b Hong Kong KUANG CHIAO CHING*  
*[WIDE ANGLE] in Chinese*  
*No 196, 16 Jan 89 pp 96-98*

[Interview with Song Ping 1345 1627, member of the Politburo of the CPC Central Committee and director of the CPC Organization Department, by KUANG CHIAO CHING reporter Jin Shi 6855 2457 in Beijing: "A Workaholic Who Cares for the Common People"]

**[Text] Song Ping's House Is in Baiwanzhuang**

As night fell one recent evening, I went to Baiwanzhuang in Beijing as I had been invited to call on Song Ping, member of the Politburo of the CPC Central Committee and director of the central Organization Department. His wife, Chen Shunyao [7115 5293 3852], said, "Song Ping is very busy during the day, so we have to invite you here in the evening."

I first met Song Ping in the 1970's when he was working in Gansu. Over the past decade, I had heart-to-heart talks with him on several occasions and was a visitor at his house countless numbers of times. In recent years, however, I was out of the country and he was in Beijing, so our contacts have grown infrequent. Still I make a point of looking him up every time I go to Beijing.

When I made my latest trip to Beijing, Song Ping had already become a member of the Politburo, so I assumed he would be living in a nicer house. As it turned out, he was still living in the same old building. It is a six-room two-story house. The reception room, which doubles as a TV room, is on the first floor. I visited his bedroom upstairs. It is simply and plainly appointed—a double bed, a writing desk strewn with books and papers, a traditional Chinese painting on the wall, the work of a Gansu painter. No decorations, curios, or so-called luxuries like audio equipment. The deck chair in the reception room, covered with old quilted jackets serving as cushions, looks particularly worn out. I said, "You should retire this old deck chair." Chen Shunyao said, "It is still serviceable. I like lying down on it now and then."

Three generations of the Song family live in this house, which is none too spacious. Of course, their quarters are still much better than those of ordinary people, but given Song Ping's position, he certainly lives simply and frugally. After I came into the reception room, his son and daughter-in-law had to stop watching TV and went out for a walk with their child.

Song Ping has two sons. One, a self-taught science fiction writer, is an editor with a publishing house in Beijing. The other works as a lecturer at a Beijing university. Since they do not make a lot of money and prices are soaring, Song Ping's standard of living has also been affected. He told me, "Apart from paying rent and buying food, they barely make ends meet on their salaries and can hardly save any money. When we have hometown guests, things get really tight."

**What Is Song Ping's Monthly Salary?**

Reportedly, Song Ping's monthly salary is only about 300 yuan, or \$600 [Hong Kong dollars] based on the official exchange rate. That is about 1 percent of what a senior Hong Kong government official makes. Prices soar and wages remain low. It seems that the time has come for a great adjustment in the wages of Chinese intellectuals, teachers, and civil servants.

**Young Song Ping a Follower of Zhou Enlai**

Song Ping was a follower of Zhou Enlai in his early years. In the 1940's, he was secretary general of XINHUA RIBAO in Chongqing and, later, a spokesman of the CPC delegation in Nanjing. After the PRC was founded, he served as director of the Labor and Wage Bureau of the State Planning Commission. In 1972, he was appointed deputy director of the Gansu revolutionary committee. In August 1977, he became first secretary of the Gansu party committee and first political commissar of the Lanzhou military region. In 1982 he was transferred to Beijing and put in charge of the State Planning Commission.

I have had several opportunities to accompany him to the countryside and I have discovered that he takes notes neatly and quickly. Of all high-ranking CPC leaders with whom I have had contact, he is one of the very few who preside over seminars, ask questions, and take notes all at the same time. He also drafts his own reports and speeches with the exception of formal reports on provincial party congresses and the National People's Congress.

Song Ping is a cautious, modest person. When he is in the countryside, he always listens carefully to the grassroots cadres as they brief him about the local situation, interrupting only rarely. He never gives "instructions" in the lofty manner of a "boss." Instead he chooses to express his opinions by talking things over with others.

At the same time, Song Ping is a principled man who dares to speak the truth. One incident which has never before been made public is worth recounting to readers here.

The CPC Central Committee was meeting in Beidahe in May 1972. Xian Henghan [0405 1854 3352], then first secretary of the Gansu party committee and first political commissar of the Lanzhou military region, was relentlessly pushing the "gang of four's" ultra-leftist line. The Gansu countryside at the time was in the grip of a drought lasting several years. Crops failed and the peasants were suffering. Xian Henghan, however, did not tell the truth and kept bragging about the "excellent situation" in Gansu. Feeling that he could no longer hide the truth, Song Ping reported to Zhou Enlai that the Gansu countryside was hit by a drought and that many peasants had nothing to eat and no clothes to wear. A distressed Zhou Enlai said, "The situation is so difficult in Gansu and yet the ministries in the State Council have never sent people to investigate and understand the conditions. As premier, I am responsible. On the other

hand, cadres working in Gansu have never reported the situation. That is wrong. We give assistance to foreign countries who have difficulties. How can we ignore the hardships of our own people?"

The CPC Central Committee and State Council then instructed Minister of Forestry Luo Yuchuan [5012 3768 1557] and other officials in charge of the Ministry of Water Resources and Electric Power and the Ministry of Commerce to head for Gansu to conduct disaster relief.

I happened to accompany Luo Yuchuan and Song Ping on that trip to gather materials. We went to Dingxi, Tongwei, and Jingyuan counties in the Dingxi region in the province and saw peasant households with no food to eat, peasants who had grown sallow and emaciated from hunger, cattle and sheep that had become skinny from lack of water, farms and fields ruined by hail, and the grass in the yellow soil parched by a scorching sun. It is certain that people would have starved to death, but for Song Ping's telling the truth to the CPC Central Committee and the timely arrival of the central work team in Gansu to open the granaries to provide relief to the peasants.

#### **"Cadres Suffer, But Peasants Suffer Even More"**

Gansu is a disaster-plagued place. In 1958, Gansu produced this ultraleftist slogan, "so much guts, so much output." In the end, many people starved to death. I have looked up the annals of Tongwei County and learned that, according to official statistics, more than 100,000 peasants starved to death or fled in those days. Later, a large number of grassroots cadres suffered in the drive to correct leftist errors. A batch of commune and brigade cadres who had lied in the Great Leap Forward and had broken the law in dealing with the peasants were arrested. Actually, these cadres were reluctant offenders. The main responsibility should be borne by the cadres at the higher level. But in every movement, the cadres who should be held accountable often get away scot free while grassroots cadres find themselves in a no-win situation.

After listening to county leaders discuss these historical events, Song Ping said gravely, "Indeed, line struggles have made many cadres suffer. But ordinary people suffered even more. I have browsed through your county annals and other pertinent materials after 1961. So many people have starved to death. Some fled to Xinjiang. The common people have suffered so much."

I noticed that Song Ping is always careful to observe the masses' living conditions first hand, listen to what they have to say, and concern himself with their hardships and those of grassroots cadres.

#### **"It Is Your Right To Criticize"**

After the "gang of four" was smashed, China set about bringing order out of chaos. But the thoughts of the "gang of four" had prevailed for so long that many cadres could not unshackle themselves ideologically

overnight and continued to operate with their old mentality. Hence the conflicts between the press and certain local cadres, some of whom even did everything they could to prevent reporters from criticizing some events and personalities in the press.

Song Ping adopts a fairly enlightened attitude to press criticism. In 1978 and 1979, a number of high-ranking figures were implicated in some reports in mainland newspapers and news agency dispatches. On that subject, Song Ping's position was consistently unequivocal. He said, "It is the power of the press to criticize and report. As long as you are factually accurate in your criticism and are prompted by a desire to ensure that work is done properly, your criticism is welcome. Of course, you must seek truth from facts, which is the only way to stay unassailable. Also, criticism must be well-intentioned, the aim being to help others improve, not to attack them."

#### **A Workaholic**

When he is working, Song Ping can forget to eat or sleep. He usually does not go to bed before midnight, but wakes up early in the morning and takes a walk outdoors, napping for about half an hour at noon.

Whenever he goes to the countryside, he puts in a full day's work, leaving many young workers who accompany him stressed and exhausted.

He leads a simple life. He neither drinks nor smokes and is easy to please where food is concerned. One day he went to Yongdeng County in Gansu Province to inspect work. In the morning, county leaders told him that the entire county had been hit by hail and that tens of thousands of peasants lacked grain. At lunch, Song Ping discovered that there were six dishes on the table. He helped himself to the tofu and cabbage but left the meat dishes untouched. After lunch he asked the county leader, "You just told me in the morning how hard life is for the people. Why did you add two dishes for us at lunch? I felt uneasy even as I ate." The county committee secretary explained, "You just rushed here from Wuwei after a long car trip. And the lunch was late. The cafeteria manager was afraid that we were starved and there would not be enough food to go around, so he added the fish and pork, really ordinary stuff." Song Ping said, "They may be ordinary stuff, but the common people do not even have rice. Your county is located on key communication lines in a heavily traveled area. There are many people coming and going. You should take pains to economize and not be extravagant."

#### **Puts a Stop to Excessive Wining and Dining**

Then there was the time he paid a visit to Minle County, an impoverished place at the foot of Jianlian Shan. In every room at the guest house he found a plate of fruit known as "apple pear," a new variety just developed locally through apple-pear crossbreeding. No sooner had some people sunk their teeth into the fruit than Song

Ping asked the secretary to go from room to room informing everybody that they must pay for the fruit themselves. Later, Song Ping told the county officials, "When leaders come here to inspect, do not put cigarettes or fruit in each room at the guest house. Make them pay for them themselves. Don't let them get into the bad habit of getting something for nothing."

#### **It Is Hoped That Song Ping Would Utilize Qualified Personnel Properly**

"At a time when dining and wining is all the rage, could you stop the trend while you visit places?" I asked Song Ping. He said, "Why not? The main thing is determination. If you set your mind to it, you can do it."

In July 1988 Song Ping went to Liaoning Province to inspect cadre work. Before he left for the province, he told its leaders through his secretary that they should practice the "three no's." In other words, they should not hold welcoming or farewell ceremonies for him, no feasting, and no appearance on TV. As a result, the leaders in Shenyang, Jinzhou, and Dalian all complied with this rule. No banquets were held and there was no welcoming or farewell ceremony at the border. In Shenyang, he and other cadres from the central Organization Department dined on regular fare at the cafeteria. Noting this was Song Ping's first visit to Shenyang, the secretary of a municipal party committee expressed a desire to hold a banquet for him. Song Ping told his secretary, "Let us stick to the rules we laid down when we left Beijing. One must not go back on one's words."

People like Song Ping have checked wining and dining, complied with the law, and remained incorruptible. But how to stem corruption and promote honesty throughout the nation? What can Song Ping do to select qualified personnel and utilize them properly?

#### **Deng Xiaoping-Zhao Ziyang Relationship Spans Decades**

*40050271a Hong Kong KUANG CHIAO CHING  
[WIDE ANGLE] in Chinese No 196,  
16 Jan 89 pp84-89*

[Article by Zhao Wei 6392 5588: "The Paths of Deng Xiaoping and Zhao Ziyang Cross in Many Ways"]

#### **[Text] Deng Xiaoping Appointed Political Commissar of 129th Division, Pushes Into Taixingshan**

Based on the writer's research and analysis of historical materials, the relationship between Deng Xiaoping and Zhao Ziyang goes back 40 years.

In January 1938, as the War of Resistance Against Japanese Aggression began, Deputy Director Deng Xiaoping of the political headquarters of the 8th Route Army was appointed political commissar of the 129th Division and left Yanan for Taixingshan to take up his new post. The outgoing political commissar was Zhang

Hao [1728 3185], also known as Lin Yuying [2621 5148 5391], a cousin of Lin Biao and a veteran cadre who joined the CPC in 1922. Zhang Hao once represented the CPC at the Comintern in Moscow and attended the Comintern's 7th Congress there in 1935. He was instructed to return home in late 1935 and was instrumental in nudging the CPC toward adopting the national united front against Japan and in Mao Zedong's triumph over Zhang Guotao's [1728 0948 3614] line.

The 129th Division of the 8th Route Army was organized mainly from the 4th Front Army of the Red Army. It was a crack force with high combat capability. Both Division Commander Liu Baicheng [0491 0130 2110] and Political Commissar Deng Xiaoping started out as cadres at the party center. Deputy Division Commander Xu Xiangqian [1776 0686 0467] was commander in chief of the former 4th Front Army. In late 1937, the 129th Division concentrated on pushing onto the enemy's rear area in northern China, its target being the Shanxi-Hebei-Shandong-Henan region around Taixingshan.

#### **Zhao Ziyang Returns to Hua County**

Meanwhile, Zhao Ziyang, who had quit Wuchang Middle School to return to his village, joined the CPC in his native Hua County in Henan Province in February 1938.

Earlier, in 1932, Zhao Ziyang, then only 13 years old, had already joined the CYL [Communist Youth League] at the elementary school in his native village. He took part in an unsuccessful riot led by the Communist underground and then left home to study in Xiancheng, in Kaifeng, Henan, and in Wuchang, Hebei, returning to Hua County in early 1938. Hua County was located where Hebei, Shandong, and Henan abutted one another along Huang He in northern Sichuan, right on the path of the 129th Division as it marched forth to resist the Japanese.

#### **Zhao Becomes Part of the 129th Division**

In April 1938, Zhao Ziyang, 18, was selected by the CPC in Hua County to study at the CPC Northern Bureau party school in the Taixingshan area. The school also doubled as the military training school against the Japanese run by the 129th Division. That was how Zhao Ziyang became part of the 129th Division in the early days of his participation in the War of Resistance against the Japanese. While no materials exist today to show that Deng Xiaoping and Zhao Ziyang met in 1938, the possibility did exist, although any meeting between them at the time could not be of great significance because of the wide gap between the two men's respective positions; Deng Xiaoping was already a divisional political commissar whereas Zhao Ziyang was merely a young student.

In September 1938, Zhao Ziyang returned home upon completing his studies and was soon made secretary of the Hua County party working committee. In February 1939 the 344th Brigade of the 115th Division of the 8th Route Army (composed of units from the 25th Army of the Red

Army and the Red Army of northern Shaanxi), led by Yang Dezhi [2799 1779 1807] (formerly a member of the Politburo of the CPC Central Committee and chief of the general staff of the People's Liberation Army [PLA]) arrived at the sandy area near the old course of Huang He where Poyang, Neihuang, and Hua Counties of Henan were located (the same old course created by Kuomintang [KMT] troops in 1938 after blowing up the major dike at Huayuankou and taking Huai He). Yang Dezhi then set about reorganizing and expanding his units. His forces made an opening into the counties of Xiancheng and Hua. From then on the main force of the 8th Route Army had a presence in Poyang, Neihuang, and Hua Counties, making it easier for local communists and anti-Japanese bases to do their work. This particular 115th Division led by Yang Dezhi was also under the command of the 129th Division in the Hebei-Shandong-Henan area. The forces of the 25th Army of the Red Army were originally under the 4th Front Army. Later they were regrouped under the First Front Army.

#### **How Zhao Ziyang First Attracts the Attention of the Higher Levels**

In March 1939, Zhao Ziyang persuaded his former classmate Chen Shuhui [7115 2562 6540], Hua County chief who owed his position to the KMT government, to defect to the CPC along with over 300 people. This move radically shifted the balance of power between the KMT and CPC in Hua County. Soon Zhao Ziyang's abilities gained the high regard of higher authorities. In June 1939, as the CPC expanded organizationally, Zhao Ziyang was appointed propaganda director of the northern Hebei prefectural party committee. This committee was under the leadership of the Taixingshan military region, whose commander and political commissar were Liu Baicheng and Deng Xiaoping, respectively.

#### **Deng Xiaoping and Zhao Ziyang First Meet in Daming County, Shandong**

Later in the year (1939) Deng Xiaoping inspected the Henan-Shandong-Hebei border area. In mid-December, he convened a meeting at Xiaoying Township in Daming County, Shandong, for cadres from the two prefectural party committees of southern Henan and northern Hebei. Zhao Ziyang attended the meeting as director of propaganda of the northern Hebei prefectural party committee. This is the first confirmed meeting between the two men. At the time Deng Xiaoping was 35, Zhao Ziyang only 20. Clearly the latter, as a subordinate, was deeply impressed by Deng Xiaoping. As for Political Commissar Deng Xiaoping, it was unlikely he remembered much about Zhao Ziyang, who was but one of his many subordinates. That was totally understandable.

Nevertheless, the 129th Division of the 8th Route Army was then responsible for the War of Resistance over a vast region spanning Shanxi, Hebei, Shandong, and Henan. Its main base was divided into four areas,

namely Taixing, Taiyue, southern Henan, and Henan-Shandong-Hebei. As political commissar, Deng Xiaoping had to travel frequently among these four bases. Thus news about him was never lacking.

In April 1940, the Henan-Shandong-Hebei regional party committee was set up with Wang Congwu [3769 1782 0710] and Zhang Xi [1728 3886] as secretary and deputy secretary, respectively. Zhao Ziyang became secretary of the third prefectural party committee in charge of a number of county party committees and working committees. As we all know, a county party committee at the time did not have jurisdiction over an entire county; more commonly it controlled only part of a county or the area where a number of counties met. Two or 3 months later, the third prefectural party committee of the Henan-Shandong-Hebei regional party committee fell before savage Japanese attacks. Led by Zhao Ziyang, a small number of people broke out of the Japanese blockade, braving great danger, and making their way into the jurisdiction of the second prefectural party committee. Shortly afterward, Zhao Ziyang was made secretary of the second prefectural party committee.

In October 1942, things looked grim for the War of Resistance against the Japanese. Because of frequent mopping-up operations by Japanese troops, the CPC base was shrinking in territory. In compliance with the Central Committee's instruction—"better troops and simpler administration," the Henan-Shandong-Hebei regional party committee merged two prefectural committees. In the process Zhao Ziyang lost his secretaryship and became deputy secretary.

#### **Zhuo Lin [0587 265] Goes to Yanan Disguised as a Man**

In the spring of 1943, Zhao Ziyang returned to his hometown to start a peasant movement and worked for rent and interest-rate reduction. At about the same time, Deng Xiaoping and his wife, Zhuo Lin, took the secret route through the Henan-Shandong-Hebei border region near Taixingshan and headed for Yanan, escorted by troops in the border region. In the interest of safety, Zhuo Lin disguised herself as a man. Deng Xiaoping gave instructions regarding work in the border area.

From late 1943 to early 1944, Zhao Ziyang wrapped up his work in Hua County and left for the old liberated area under the Northern Bureau in the Taixingshan region to study. Deng Xiaoping had then become acting secretary of the Northern Bureau.

#### **Zhao Ziyang's Article Catches the Eye of the Leaders of the Northern Bureau**

In October 1944, Zhao Ziyang published an article entitled "How the Masses of Hua County Were Mobilized" in the second issue of PINGYUAN, the official publication of the Plain Bureau. The article was highly regarded by the higher authorities. The editorial committee of PINGYUAN even

went so far as to comment on it, saying, "From beginning to end Comrade Zhao Ziyang's article adopts the leadership method of 'coming from the masses.' It is hoped that comrades would study it closely after reading it." This comment shows the high regard of the editorial committee for the young writer named Zhao Ziyang.

**Deng Xiaoping and Song Renqiong [1345 0117 4522]  
Specially Receive Zhao Ziyang in Guan County,  
Shandong**

Having first demonstrated his abilities with the success of his Hua County experience and the publication of this article, Zhao Ziyang came to the attention of Deng Xiaoping. The mobilization of peasants was then a vital issue in the construction of CPC bases. In the spring of 1945, Deng Xiaoping, then acting secretary of the CPC Northern Bureau and Song Renqiong, secretary of the Henan-Shandong-Hebei regional party committee, received Zhao Ziyang, Zhang Hua [1728 5478], secretary of the Hua County party committee, and Cheng Jianming [4453 1696 2494], county chief, in Guan County in western Shandong. Land and peasants were the topics discussed. This was the most important direct contact between Deng Xiaoping and Zhao Ziyang during the War of Resistance against Japanese Aggression. Deng Xiaoping began to take note of Zhao Ziyang's abilities and experiences. After the meeting, Deng Xiaoping wrote comments on Zhao Ziyang's article and circulated it throughout the territory under the Northern Bureau to be read and studied by cadres. In August 1945, Japan surrendered. When the war ended, Deng Xiaoping was appointed secretary of the Shanxi-Henan-Shandong-Hebei Central Bureau by the Central Committee. Zhao Ziyang became secretary of the fourth prefectural committee of the Henan-Shandong-Hebei regional party committee, which was under the Central Bureau and was in charge of nine county party committees. Because he was knowledgeable about the land issue, his subsequent land reform was highly regarded.

In late June 1946, the civil war between the KMT and the CPC erupted anew. In September the same year, KMT troops occupied Hua County and other areas. As the leading communist cadre at the local level, Zhao Ziyang stayed put and pressed ahead with the struggle. In November 1946, the forces of Liu Baicheng and Deng Xiaoping launched the campaign for Hua County and killed over 10,000 KMT troops. With the recovery of Hua County, Zhao Ziyang resurfaced from the underground. In October 1946, the KMT amassed a large force and retook Hua County, forcing Zhao Ziyang to go "underground" again. He joined the guerrillas in the area and spent a harsh winter there. In late March 1947, the Liu-Deng army recaptured Hua County for the last time. Once more Zhao Ziyang resumed his secretaryship and operated openly. Judging from the history of this period, Deng Xiaoping and Zhao Ziyang had established a friendship and a superior-subordinate relationship during the civil war.

**Zhao Ziyang Goes South With Liu-Deng Forces**

In late June 1947, 120,000 PLA soldiers, led by Liu Baicheng and Deng Xiaoping, crossed Huang He and marched south, raising the curtain of the great CPC counterattack against the KMT. In August 1947, Zhao Ziyang resigned as secretary of the prefectural party committee and reported to the regional party committee where he was put in charge of the local cadre work team that followed the 10th column, the follow-up unit of the Liu-Deng forces. Under the 10th column were the 28th, 29th, and 30th Brigades, with a total of 20,000 men and officers. The local cadre work team consisted of over 1,000 cadres. In mid-October, Zhao Ziyang headed south with the forces and crossed Huang He at the end of the month. Later he also crossed the flood area, Xing He, Ru He, and Huai He, joining forces with the army led by Liu Baicheng and Deng Xiaoping in the Dabieshan area in late November. On 2 December 1947, Liu Baicheng and Deng Xiaoping attended a meeting of the 10th column for cadres at the company level and above, where they ordered the column to head west to set up a base in the Tongbaishan area and launch a second campaign behind the enemy lines.

**Breaking Into Tongbaishan Area, Zhao Ziyang Is Made  
Deputy Political Commissar of the Military Region and  
Deputy Secretary of the Regional Party Committee by  
the Plain Bureau**

On 4 December 1947, the 10th column of the PLA pressed westward and launched a sudden attack on the Pinghan railroad. Zhao Ziyang, with 1,600 local cadres, took part in the action. After fierce fighting lasting 2 days and 2 nights, the forces broke through the KMT blockade after suffering huge losses and entered the Tongbaishan area. On 13 December, the Plain Bureau, whose secretary was Deng Xiaoping, announced by telegram senior appointments to the Tongbai regional party committee and Tongbai military region. Commander Wang Hongkun [3769 1347 0981] of the 10th column became commander of the military region, while its political commissar Liu Zhijian [0491 1807 1017] was made political commissar of the military region as well as acting secretary of the regional party committee. Zhao Ziyang was appointed deputy political commissar of the military region and deputy secretary of the regional party committee. The Tongbai regional party committee was a provincial-level committee. Under it were three prefectural committees (subsequently increased to four) and almost 20 county party committees. Only 28 at the time, the young Zhao Ziyang was already a deputy secretary of one of the seven regional party committees under the Plain Bureau, whose secretary was Deng Xiaoping. It can be said that throughout the pivotal year of 1948, a turning point in the KMT-CPC struggle, Zhao Ziyang worked under Deng Xiaoping's leadership.

In the spring of 1949, the three big campaigns came to an end, and victory for the CPC was all but sealed. The Second Field Army (whose political commissar was

Deng Xiaoping) amassed its troops at the Huai-Hai front and planned to cross Chang Jiang together with the Third Field Army to mount an assault on Nanjing. With the inclusion of Henan in the Central South Bureau, composed mainly of leading cadres from the Fourth Field Army, Zhao Ziyang's subordinate relationship with Deng Xiaoping came to an end. The 10th column was also grouped into the 58th Army under the Fourth Field Army. Zhao Ziyang was demoted to be secretary of the Nanyang prefectural party committee. In the spring of 1951, Zhao Ziyang was sent to work in Guangdong and Deng Xiaoping marched into the southwest with the Second Field Army and served as secretary of the Southwest Bureau. Since that time, the two were no longer in a superior-subordinate relationship.

### **Zhao Ziyang in Guangdong**

In 1956, Deng Xiaoping was elected general secretary of the CPC Central Committee at the 8th National Party Congress and began a working relationship with the various provinces. Zhao Ziyang became deputy secretary of the Guangdong party committee. Thus, there was some sort of business relationship between the two men, which grew closer in the early 1960's when Zhao Ziyang became secretary general of the South Central Bureau.

While in Guangdong, Zhao Ziyang was on fairly good terms with Ye Jianying [0673 0494 5391], then first secretary of the South China Branch Bureau. After 1953, Ye Jianying was succeeded by Tao Zhu [7118 6999], who had high regard for Zhao Ziyang. Throughout the next dozen years or so, Zhao Ziyang worked as Tao Zhu's assistant and was given important responsibilities.

After the Cultural Revolution broke out, Liu Baicheng, Deng Xiaoping, Tao Zhu, and Zhao Ziyang were in charge of the dispatch of work teams in either Beijing or Guangzhou, and all came under attack by the Red Guards and the rebels. As 1967 began, all four were toppled at almost the same time. The only difference was that Zhao Ziyang fell a couple of days after Tao Zhu was ousted by the "Central Committee Cultural Revolution" in Beijing. Tao Zhu had had an excellent relationship with Deng Xiaoping. He reportedly got a job at the center on the recommendation of Deng Xiaoping. Tao Zhu had said that if the party allowed master-taking, he would be willing to take Comrade Deng Xiaoping as his master although he was not qualified to be Chairman Mao Zedong's pupil. He also instructed the XINHUA news agency that the picture it released on National Day in October 1966 must include Deng Xiaoping. In the end, XINHUA printed a picture with Deng Xiaoping's head on top of Chen Yi's body. This was the "head-changing incident" which created quite a furor at the time. Tao Zhu's attitude toward Liu Shaoqi and Deng Xiaoping directly caused his own downfall.

In Guangdong, Commander Huang Yongsheng [7806 3057 0524] of the Guangzhou military region was in control during the early days of the Cultural Revolution. He was

relentless in his criticism of the former first secretary of the Guangdong party committee, Zhao Ziyang. Meanwhile, the Lin Biao and Jing Qing clique had been violently attacking Liu Shaoqi, Deng Xiaoping, and Tao Zhu, as if nothing short of their deaths would satisfy them.

In the spring of 1967, Zhao Ziyang was criticized and denounced long and hard by the Red Guards and rebels in Guangzhou. The worst was when he was denounced for 5 consecutive days and nights without any break. Under such nonstop torture, he confessed that he had made errors in his line and raised his hand when the rebels chanted "down with oneself" slogans. But he firmly refused to shout slogans like "down with Liu Shaoqi, Deng Xiaoping, and Tao Zhu," for which he suffered even more violent denunciation by the rebels.

In April 1971, 4 years after he lost his freedom, Zhao Ziyang resurfaced under the auspices of Zhou Enlai and was sent to Inner Mongolia to fill the last secretaryship of the regional party committee. After the Lin Biao incident, he returned to work in Guangdong in March 1972 and became the third secretary. In 1974 he was appointed first secretary of the Guangdong party committee.

As for Deng Xiaoping, he made his comeback in 1973 under the auspices of Mao Zedong and Zhou Enlai, resuming his positions as vice premier and member of the CPC Central Committee. In early 1975, he became vice chairman of the CPC Central Committee and chief of the general staff and was in charge of the Central Committee's day-to-day work. In October of the same year, just before he was toppled for the third time, he did all he could to have Zhao Ziyang appointed to the top party and government jobs in Sichuan as well as political commissar of the Chengdu armed forces. The fact that the two men suffered a similar fate in the Cultural Revolution only brought them closer together.

In April 1976, the "Tiananmen Square" incident broke out and Deng Xiaoping was ousted for the third time. In Sichuan, Zhao Ziyang was cool to the "denounce Deng Xiaoping" movement and even failed to attend the so-called "political rumor investigation meeting" arranged by the CPC Central Committee.

In July 1978, Deng Xiaoping staged his third comeback and resumed all his party, government, and military duties. Addressing the celebrating meeting convened by the Sichuan party committee, Zhao Ziyang praised Deng Xiaoping's achievements.

### **Deng Xiaoping Reiterates That Zhao Ziyang Is General Housekeeper**

During the time Zhao Ziyang ran Sichuan, agriculture made great strides. From 1976 to 1979, the province's total grain output increased 16 billion jin and per capita peasant grain ration went up by more than 150 jin. Almost 100 million previously underfed people now

basically had enough to eat and wear. Zhao Ziyang also firmly supported the great debate on "practice is the only criterion for testing truth" put forward by Deng Xiaoping.

At the 3d plenum of the 11th CPC Central Committee which took place in December 1978, Deng Xiaoping's line scored a decisive victory and Hua Guofeng lost power. Zhao Ziyang was transferred to Beijing and was elected to the

Politburo of the Central Committee along with Hu Yaobang at the 5th plenum of the 11th CPC Central Committee. It was also decided at the higher level, but not officially announced, that he would succeed Hua Guofeng as premier. We all know what happened between then and his ascension to the party general secretaryship at the 13th Party Congress and Deng Xiaoping's public remark that Zhao Ziyang was China's general housekeeper. There is no need to detail it here.



## NATIONAL AFFAIRS, POLICY

### 'Key' Role of Economic Democracy in System Reforms Expounded

40060344 Beijing GAIGE [REFORM] in Chinese  
No 1, 20 Jan 89 pp 9-23

[Article by Jiang Yiwei 5592 0001 5517: "Economic Democracy—In Commemoration of the 10th Anniversary of the Convening of the 3d plenum of the 11th Party Central Committee"]

[Text] Editor's Note: "Economic Democracy" is a paper that Comrade Jiang Yiwei has written in commemoration of convening the 3d plenum of the 11th Party Central Committee. In this paper, he proposes numerous important points for thought, including the similarities and differences between a socialist commodity economy and a capitalist commodity economy, the characteristics of socialist enterprises, and ideas about the macroeconomic system in terms of economic democracy. These issues have a bearing on the guiding thought for all system reform, and are issues meriting thorough examination. The full text is published here, and readers' views on pertinent issues are welcome. This publication will select some drafts received for future publication.

In looking back at history and at the world around us after 10 years of reform, just what are the goals we seek in reform? A single sentence provides a reply, namely that we want to take a socialist road that is distinctively Chinese. What is the specific shape of this road? As far as its economic shape is concerned, after several years of theoretical discussion and practical exploration, the 3d plenum of the 11th Party Central Committee provided an explicit answer, namely the practice of a planned socialist commodity economy.

Replacing the traditional product economy with a commodity economy brings in its wake a series of fundamental system changes. The market mechanism has to replace the political mechanism as the operating system in the economy, though certainly the political mechanism is not to be dispensed with altogether. Economic democracy has to be practiced in the organization of the economy, but naturally that likewise does not mean no need for centralization, but rather the establishment of a new centralized unity founded on a high degree of democracy. In terms of the economy's administrative system, the key issue in reform may be said to be the practice of socialist economic democracy.

Comrade Deng Xiaoping's 1978 formulation about reform of the economy's administrative system proceeded from the institution of economic democracy. He said, "I want to stress the practice of economic democracy. Power is overconcentrated in the country's economic management system today; it should be courageously delegated in a planned way. Otherwise, the overconcentration will be detrimental to making the most of the initiative of the central government, local

governments, enterprises, and workers, and detrimental as well to the institution of modern economic management and improvement of the labor productivity rate."<sup>1</sup> Here, Comrade Deng Xiaoping spelled out the proposition of "carrying forward economic democracy." Objectively speaking, the reforms of the past 10 years have moved in this direction. Regrettably, we have not made this the central guiding thought for reform of the economic management system either in theory or in practice, and we have ignored or even departed from this thought in specific instances. This article presents here some incompletely formed views for the edification of the readership.

### I. How Do a Socialist Commodity Economy and a Capitalist Commodity Economy Differ?

Answering this question requires a little conceptual analysis. The economic system reform that we are currently carrying out is sometimes termed economic management system reform, although these are, in fact, two distinct yet closely related kinds of reform with different connotations. Economic activity is an objective phenomenon. No matter the form of economic activity adopted, objective laws of change operate that are not subject to human will, and violation of these laws is bound to bring punishment. Reform efforts of this kind should be termed "economic system reform," the task of which is to change forms of economic activity that are not consistent with objective laws in response to and in order to promote the development of socialist productivity. The organization and management of economic activity is subjective behavior brought to bear on economic activity. If this activity is in keeping with the objective laws of economic activity, it will play an accelerating role; otherwise it will play an inhibiting and regressive role. "Reform of the economic management system" means reform in this regard. We have become accustomed to using "economic system reform" as an overall concept, and this is certainly all right. However, one must realize that this overall concept actually contains two subjectively different subconcepts.

A commodity economy is a form of economic activity that is subjective in nature. It is an outgrowth of man's social division of labor not directly related to the social system. During the primitive communism period, simple commodity production and exchange occurred. Later on, during the slave society and the feudal society, these were greatly developed, and by the time of capitalist society, they had developed to a high level. Nevertheless, a capitalist commodity economy is not the highest stage or the final stage of a commodity economy. It is entirely possible for a socialist commodity economy to develop, through a process of growth and maturation, into a higher form of commodity economy. Nowadays we often say that "a commodity economy is an unsurpassable historical stage" by way of testifying to the necessity for and the inevitability of a socialist commodity economy. This formulation is not entirely accurate. It may give the impression that our purpose in having a commodity

economy today is to "remedy a previous shortcoming," and that once the shortcoming has been remedied, we will very quickly enter a historical stage in which commodities are abolished. Actually, the commodity economy may endure for a very long time. It is true that today our task is to "remedy a previous shortcoming," but this is only the first step and does not rule out subsequently moving ahead and creating a socialist commodity economy of a higher form than the capitalist commodity economy. The laws of historical development show this to be positively no illusion.

I think it would be very difficult to answer a question about fundamental differences between a socialist commodity economy and a capitalist commodity economy by looking for points of difference in their operating mechanisms. If there are differences in the two economies, I do not believe they lie in the operating mechanism but rather in the organizational structure or organizational system.

Material and motion are two fundamental philosophical concepts. Dialectic materialism holds that there is nothing in the world that does not consist of material or motion, nor is there material that is not in motion. Economic activity is also a kind of motion, and this motion must have an agent.

The operating mechanism in a commodity economy is a form of commodity economy activity that includes market exchanges of equal value, the laws of value, the law of supply and demand, and the market mechanism, all of which are forms of activity necessary to a commodity economy. But these activities cannot occur apart from material. They have to have their own agents in the same way that the motion of heavenly bodies has to have stars as agents. Different kinds of action may have different agents involved.

Inasmuch as a commodity economy is a form of economic activity whose operating mechanism is ruled by objective laws, it is very difficult to distinguish between socialist and capitalist operating mechanisms. This is particularly so when there are participants from different societies in international markets who can act only in accordance with generally accepted international market rules. Thus, any effort to find differences in operating mechanisms will not work.

However, since commodity economy activity is an agent, its nature and its organizational structure may differ. Commodity producers and traders in the same market may be socialist or capitalist, so both the nature and the internal and external correlation of this action agent may be completely different. It is like a tournament in which there are different teams on the same playing field competing according to standardized rules. The teams differ, but the rules of the game are the same.

In a report to the 13th Party Congress, Comrade Zhao Ziyang noted that "the substantive difference between a socialist commodity economy and a capitalist commodity economy lies in differences in the basis of the ownership system."<sup>2</sup> This is an extremely important thesis. The ownership system is not the operating mechanism in a commodity economy, but rather the nature of the producers and exchangers of commodities as well as the various social relations that ensue. It is a difference in the agents of commodity economy activity and not a difference in the commodity economy operating mechanism.

It is extremely necessary to make the foregoing theoretical distinction because it answers, first of all, the question of whether our reform bears the name "socialist" or "capitalist."

Actually, two extreme ideological tendencies exist in reform. Because of traditional socialist conceptions, some comrades equate a commodity economy with capitalism. As soon as they see the adoption of any category or method similar to that of a capitalist commodity economy, they suppose that the capitalist road is being taken, and they feel concerned. Some comrades also long to absorb experiences of the capitalist commodity economy, disdaining the notion of upholding the basic principles of socialism. A problem common to these two extreme ideological tendencies is a lack of necessary analysis and thought about how to combine the common characteristics of commodity economies with the distinctiveness of socialism.

## II. Socialist Public Ownership and Economic Democracy

We say that reform is the self-perfection and development of the socialist system. Adherence to the socialist path is not the same thing as adherence to a religious faith, but rather a conclusion reached through scientific analysis of the development of history. During several decades of practice in socialism, we have had both successful experiences and the lessons of failure. As a result of the lack of historical experience and the influence of "leftist" guiding ideology, some past practices that were socialist in name were deviations from socialism in fact. For example, egalitarianism in distribution cannot be said to be socialist distribution according to labor. The practice of "large in size and collective in nature," and "thorough transition" in public ownership went beyond the stage of historical development; they were also not socialism that corresponded with the development of productivity. In addition were some shortcomings in theory itself. One such was supposing that socialism could eliminate commodities and currency. Practice has demonstrated this to be unworkable, and to be socialism with a visionary tinge. Thus, it is necessary to gain a new understanding of socialism. However, the superiority of that most fundamental characteristic of socialism, the replacing of private ownership

with public ownership, cannot be denied, even though this superiority has not been used to full advantage because the proper system for implementing it has yet to be found.

Socialism's replacement of private ownership with public ownership has just two main objectives as follows: One is the founding of a social economy on public ownership in the macroeconomy as the only way to overcome the contradiction between the socialization of production and the privatization of the means of production, and the planned distribution and use of resources for coordinated development of the social economy. Second is to enable workers to become the masters of the means of production in the microeconomy for a change in the abnormal phenomenon of capital controlling labor, and "materials" controlling "people," thereby enabling the most dynamic element in productivity—man's initiative—to find expression.

In terms of the organization of the economy, the essence of the two foregoing goals is the realization of economic democracy, it being the main element in the transformation of economic behavior from the individual to the aggregate. The macroeconomy relies on the people's democratic decisionmaking to bring it into line with the overall interests of the workers. By contrast, the microeconomy relies on the free association and independent action of workers to fully stir the initiative and creativity of workers.

The original meaning of public ownership is economic democracy taking the place of economic autocracy, and equitable distribution taking the place of exploitation. However, within the aggregate, democracy and centralization are relative and coexisting. To pay attention to democracy without paying attention to centralization will make any collective action impossible. Conversely, to give attention only to centralization without giving attention to democracy will mean that centralization will become autocracy, the original meaning of public ownership being lost. Unfortunately, our system happened to onesidedly emphasize centralization in the past to the neglect or disregard of democracy, or else it practiced democracy in form only. As a result, the superiority of public ownership could not be exercised to full advantage.

We ranked ownership by the whole people as the highest form of public ownership, and state-exercised rights of ownership by the whole people became, in fact, state ownership. In theory, ownership by the whole people is ownership by all workers, the principle of public ownership in which the workers are the masters of the means of production seemingly being realized. In practice, ownership by the whole people is naturally completely different than private ownership, and despite the various conflicts existing between workers' individual interests and state interests, in the final analysis, this differs from

exploitation in the private ownership system. Nevertheless, because the state instituted highly centralized control from top to bottom, workers actually remaining in a subjective position in production with no genuine solution found to the problem of whether workers control the means of production or vice versa, the superiority that the public ownership system should have had was greatly weakened.

In order to make the most of the superiority of the public ownership system in macroeconomic management, exercise of centralized plan management of the social economy is entirely necessary. However, we elevated planned management of the economy to the status of the grand concept of a "planned economy," not only juxtaposing it against a commodity economy, but also instituting a highly centralized, all-encompassing mandatory plan. The economy became, in essence, a "dominated economy" in which the state dictated everything, and there was no democracy at all in the system of public ownership. This caused an ossification of all socioeconomic activity.

Distribution according to labor began as a democratic and equal socialist distribution system in which the workers themselves create and earn. However, because of the disregard for democracy, the state resorted to "paying" workers according to their work from top to bottom, the workers becoming hired hands of the state, in effect. Not only did this create abuses such as the "large common pot," and the "iron rice bowl," but even worse, it became impossible to eradicate workers' feelings of being hired, with the result that distribution according to labor lost its positive significance.

Serious deviations in practice like those above had their roots in failure to realize that the essence of public ownership is democracy, that the most fundamental reason that socialism is superior is that it is democratic, and that it is necessary, first of all, to practice socialist economic democracy to arouse to the maximum the initiative and the creativity of the hundreds of millions of workers, making it a powerful force to drive the development of productivity. Only if this goal can be obtained is it possible to demonstrate the superiority of public ownership over private ownership, and the superiority of socialism over capitalism. Only by relying on this superiority can undeveloped socioeconomic systems catch up with developed socioeconomic systems fairly rapidly, and subsequently supplant them.

### III. Labor and Labor Alliances

The Marxist concept that "labor creates the world" is irrefutable. However, there is a skewed understanding of labor being limited to physical labor related to direct participation in material production. As soon as the word labor is spoken, it is taken to mean physically laboring workers. This conscious or unconscious perception is wrong. So-called "labor creates the world" includes all beneficial labor that creates material wealth

and spiritual wealth, including both mental labor and physical labor. In the material production process, it also includes all kinds of labor involved in direct production and indirect production.

The greatest accomplishment of capitalism is the emancipation of workers from feudal bondage in mankind's first emancipation. The pioneers of capitalist ideology put forward the idea of "individualism" in which each person is a unit, and they proclaimed the independence and freedom of the individual, equality between people, universal love, etc., laying an ideological foundation for the building of a capitalist private ownership system based on individualism. The new socioeconomic systems had to have political protection from the issuance of the "declaration of human rights" to the victory of the bourgeois revolution in the founding of capitalist society.

Individualism is the ideological foundation of capitalism. It has played an indelibly great historical role in arousing initiative, and even today it continues to be the dynamo that powers capitalist progress and development. However, accompanying the steady development of a social division of labor was a corresponding development of social cooperation, and the need for the formation of large and small social relationships among people. That absolute individualism is impossible was profoundly demonstrated in the story of Robinson Crusoe. Consequently, despite the continued development of capitalism, it is unable to avoid increasingly sharp conflicts between the individual and the collective, and between the individual and society. The conflict between the socialization of production and the private nature of the means of production is one of the main manifestations of this conflict. This has given rise, in turn, to socialist ideology characterized by public ownership, and in the complex course of history a number of countries have been born that are trying out the socialist system. Naturally, this newborn babe cannot be completely mature. Certain of its functions may not be as good as those of a person in the prime of life, nor like those of an old man approaching senility; however, they do presage the future.

In contradistinction to capitalism, the ideological foundation for socialism is collectivism and communalism. It positively does not disregard the independence and freedom of the individual, but it maintains that the individual must form different levels and different size collectives or communities through a process of free association. Only when individual strength combines to form collectives or communities can a more powerful force be formed; and only when individual freedom is expressed in joint collective or communal action can it become a greater freedom to transform the world. The formation of collective organizations and communal consciousness at different levels enables the transformation of individuals into a collective body that will be mankind's second emancipation.

Labor is the basic activity whereby mankind seeks survival, development, transformation of nature, and the transformation of society and himself. Human labor has always been collective and social activity. However, once mankind went from primitive communist society into a society of private ownership, this collective labor became compulsory. Capitalism conferred individual freedom, but the so-called freedom of proletarians is, at best, only the freedom to choose one's employer. It is only when laborers freely associate to become the masters of production that they can gain true freedom. It is only when such freedom is present that all the wisdom and creativeness of workers as the main element in production can find expression.

In critiquing the historical experiences of the Paris Commune, Marx and Engels fully affirmed the principles of economic organization established by the workers at that time, namely that enterprises are partnerships of independent and equal producers, and that the entire socioeconomic system is a large alliance made up of such partnerships in combination. This embodies an alliance of labor at two levels, a partnership of workers in the microeconomy forming the foundation for the building of a large alliance of laborers in the macroeconomy.<sup>3</sup> The great conception of the working class in revolutionary practice of more than 100 years ago reflected the thinking of a socialist democratic economy. Is such a conception of economic organization applicable to the socialist commodity economy system that we practice today? I believe it is completely applicable. As was said earlier, the operating mechanism of a commodity economy can rely on different agents. As commodity production units, enterprises may be capitalist commodity production units, or they may be socialist commodity production units. But socialist commodity production units must be "partnerships of free and equal producers" if they are to completely give expression to socialist characteristics. The building of a socialist macroeconomic organization made up of a large alliance of all partnerships will inevitably have to fully embody socialist economic democracy, and practice proper centralization from a highly democratic foundation in a change from the former "controlled economy" organizational form produced by the state's high degree of centralization. The socialist commodity economy as a basis for the practice of socialist economic democracy through the alliance of labor at two levels is certainly not a Utopian illusion.

#### IV. Economic Democracy of Enterprises

A socialist economy founded on public ownership practices many different forms of ownership at the same time. This is to say that a small number of other forms of ownership exist in addition to the public ownership system. An economy founded on public ownership, or in which public ownership is the main part, should be construed as referring to the total amount of social capital, i.e., when the percentage of publicly owned capital is vastly greater than the percentage of privately owned capital in the total amount of social capital.

Several ownership systems may also exist at the same time within a single enterprise. So long as most of the total amount of an enterprise's capital is publicly owned capital, the enterprise is a publicly owned enterprise. This article discusses socialist publicly owned enterprises; it does not deal with privately owned enterprises.

Enterprises are the "cells" of a socialist economy. They are the generators of social productivity, and they are the direct embodiments of social production relationships. Economic system reform must be grounded in enterprises, and enterprises must be its point of departure and its point of return. Without doubt, the keystone for socialist economic democracy must also be economic democracy in enterprises.

Economic democracy in enterprises has two aspects: One is the character and the position in the total social economic system of enterprises as a whole; the other is democratization of individual systems within the enterprise. The nucleus of the former is relations between the state and enterprises; the nucleus of the latter is relations between enterprises and their staff members and workers.

#### A. Enterprise's Character and Position

As a whole, enterprises are independent economic entities. Within the socialist commodity economic system, they are independent commodity producing and management units making their own management decisions, and being responsible for their own profits and losses, their own accumulations, and their own development. They take part in market exchanges as independent commodity producers, competing as equals with other enterprises, and dealing fairly. Legally, registered enterprises become legal persons bearing civil responsibility for the legal assets they possess, and enjoy the rights and duties provided by law.

Socialist countries exercise general administrative control over all publicly owned and privately owned enterprises, including providing economic plan guidance, supervision over economic activity, etc.; and socialist publicly owned enterprises also have to accept government administrative control. Nevertheless, there is no need for a jurisdictional relationship between enterprises and government, nor is there a need for an enterprise to be subordinate to departments in charge. If there is a so-called department in charge, it is oriented toward exercising professional control over enterprises and not toward acting as a superior.

Enterprises' assets belong to investors. For assets owned by the whole people, whole people assets control units are to be established to exercise ownership rights. In order to practice a thorough separation of government administration and enterprise management and to overcome direct government interference in enterprises of the past while simultaneously carrying forward socialist economic democracy, consideration might be given to

having people's congresses at all levels establish special committees to lead various investment companies or assets management companies. They would also act as legal financial groups using businesslike management methods, with responsibility for investment and control of assets belonging to the whole people, and exercising ownership rights over already invested assets of the whole people.

#### B. Enterprise Ownership Rights

Socialist publicly owned enterprises are enterprises in which publicly owned assets or capital are predominant. So-called publicly owned assets or publicly owned capital may take many ownership forms:

1. Ownership by the whole people: This is assets or capital owned in common by the workers of the whole country, ownership of which belongs to the whole people, whole people ownership investment companies, or assets management companies exercising ownership rights on behalf of the whole people.

2. Collective ownership by enterprises: This is assets or capital jointly owned by all workers in an enterprise, the ownership rights for which belong collectively to the enterprise's workers, with ownership rights being exercised by the enterprise's staff members and its workers representative assembly.

3. Ownership by an enterprise's staff members and workers. This is a fixed amount of investment by each regular staff member and worker in an enterprise. The staff members and workers in the enterprise are both workers and investors. Such enterprises are cooperative in character; thus, they are also publicly owned. They differ from the collectively owned enterprises described above in that the kind above are owned in common by all staff members and workers, while this one is cooperatively owned by all staff members and workers. Common ownership is a "slab" form of collective ownership, while cooperative ownership is a "segment" form of collective ownership. A "slab" cannot be chopped up; ownership belongs to the whole body of staff members and workers. "Segments" can be chopped up; ownership belongs to individual staff members and workers, yet both have a public ownership character.

In public ownership enterprises in which the above kinds of assets ownership are predominant, neither the absorption of small amounts of capital from private persons in the society nor partnerships with the private economy are ruled out. All that is required is that the privately owned portion not constitute a dominant portion of total capital, and that the enterprise remain under public ownership.

Ownership of socialist publicly owned enterprises may be a mixture of the above three kinds. In some enterprises, ownership by the whole people may be dominant, while in others either collective ownership (as in

the case of existing "large collective" enterprises), or cooperative ownership by staff members and workers (as in the case of existing "small collective" enterprises) may be dominant. Existing enterprises owned by the whole people have established collectively owned shares and staff member and worker individually owned shares in the democratization of enterprise assets. Even though assets are predominantly held by the whole people, this increases workers sense of responsibility as masters of the enterprise, and it helps stir the initiative of workers. If the collective component and the staff member and worker cooperative component of an enterprise hold a predominant position, and even should most enterprises nationwide become collective and cooperative ownership enterprises, not only is not the slightest harm done to the country's society and socialist character, but capital owned by the whole people may be invested in key enterprises of crucial importance, thereby helping more the coordinated development of the social economy.

### C. Labor System in Enterprises

Enterprises are made up of the two key elements of people and materials. The ownership systems explains the form of organization of materials, and the relationship between people and materials; the labor system means the way in which the people are organized, and it is the foundation for the democratization of enterprises. The basic difference between public ownership and private ownership lies in who is the main entity in an enterprise. One fundamental tenet of socialism holds that workers are the main entity in an enterprise, and that a relationship of free and equal association exists among workers; thus, it is said that enterprises are free and equal associations of producers." Negation of this point denies socialism its foundation.

In accordance with this basic tenet, the concept of an enterprise in human terms should be a labor collective. Individual laborers may freely choose, and willingly join a labor collective, and the labor collective also has the right to select its own members.

Once a labor collective is formed, it is bound to practice internal democracy in which the minority subordinates itself to the majority, and individuals to the totality. This relationship becomes embodied in a "labor pact." Individual workers who do not accept the limitations of the pact have no choice but to withdraw from the collective, but they may not violate the pact. The labor collective may also take away the membership of individual workers who do not abide by the pact.

A labor collective is a community whose unified actions require the leadership of an outstanding leader. The collective can democratically produce its own leader through election or by inviting applications, and it can institute democratic centralism to form the authority for collective action.

By building a labor system in enterprises according to the above principles, enterprise labor collectives can have three different levels of membership. Its main body consists of regular workers that the collective has chosen. Next is contract workers who have recently entered the collective. Individual workers who have entered the collective on the basis of mutual agreement with the collective may sign a contract with the collective. The period of the contract is set by the collective with the concurrence of the individual, and such workers may convert to regular worker status becoming regular members of the work collective, or they may extend or dissolve the contract. Finally are temporary workers working in an enterprise for a short period of time on a temporary agreement. Members at these three different levels have different rights and responsibilities to the enterprise; however, all are treated equally and without discrimination in terms of distributions according to work, receiving equal pay for equal work.

Whether labor is a commodity in a socialist commodity economic system is a controversial theoretical question. We say that it is very difficult to distinguish between socialist and capitalist commodity economy operating mechanisms, and that the only distinction lies in their organizational structure and the organizational system. Since a private economy is allowed to exist and develop during the early stage of socialism, with workers being hired into private enterprises of their own free will, objectively speaking, a situation exists in which labor is a commodity. However, laborers join labor collectives in publicly owned enterprises of their own free will to become a member of the enterprise's main body, working in common, creating profits in common, and being held responsible in common for operating mistakes or even the risk of failure. Their earnings depend on the results of their collective labor and the labor contribution of each individual, and not on the price of labor set through market supply and demand; thus, their labor is not a commodity. Their entry into or departure from a labor collective is entry into or departure from a partnership; it is not the sale of labor.

### D. Enterprise Management Systems

Democratization of enterprise management policy decisions is a major reflection of economic democracy in an enterprise. Since an enterprise is a "free and equal association of producers," and since workers are the main element in an enterprise, they are bound to assume authority and responsibility for the enterprise's production management. An enterprise's major management decisions must be collectively made, after which there can only be "sharing of weal and woe in common," the collective assumption of responsibility for production management.

The major goal of the public ownership system is to link laborers and the means of production directly in a microeconomic sense. In an ownership sense, ownership by the whole people reflects laborers nationwide

ownership of the means of production, which is an indirect rather than a direct link for laborers in an enterprise. The establishment in an enterprise of enterprise collective ownership and staff members and worker cooperative ownership enables the democratization of assets. It increases the direct link between laborers and the means of production, helping laborers be directly concerned about gains and losses and the effective use of the enterprise's assets. Nevertheless, the link between workers and the means of production does not depend entirely on the system of ownership; it also depends on the management system for allocating the means of production. In accordance with the principle of separation between ownership rights and management rights, owners vest authority for the management of assets in managers, and managers gain authority to allocate the means of production. Even in an undiversified enterprise owned by the whole people, if the staff members and workers have strategic policy decision-making authority for the management of production, this partly reflects a direct link between workers and the means of production, and it helps workers be directly concerned about the results achieved in the management of production.

Whether an enterprise's management decisions must and can be collectively made by the workers is a very controversial issue. However, this is also a major theoretical and practical issue in gaining a new understanding of socialism. A fairly universal view at the present time is to regard the enterprise leader (plant manager or director) alone as the person in charge, and to maintain that in the practice of a plant manager responsibility system, the plant manager alone has the authority and the duty to make all management decisions for the enterprise. This trend of thought has been shaped by the longstanding practice of a plant manager responsibility system under CPC Committee leadership, and it prevents a situation in which a plant manager is responsible but has no authority. However, it also disregards the resultant contradiction between the masses of staff members and workers and the plant manager.

One hundred years ago, in "On Authority," Engels made a full exposition of the doctrine that lack of a highly centralized command authority is bad for socialized large scale production enterprises.<sup>4</sup> However, there is no contradiction between democratic decisionmaking and centralized command. Even in privately owned modern capitalist enterprises, more and more management decisions are being made collectively rather than individually. In capitalist enterprises, capital is the main element, so collective decisions are naturally mostly collective decisions made by the representatives of capital (the board of directors). However, under the capitalist system in which labor is pitted against capital, there is also an increasing need to resolve problems having to do with the initiative of workers; consequently, staff member and worker participation in the management system is on the rise in many capitalist countries. Socialist enterprises should further practice collective decisionmaking

in which workers are the main body. An enterprise's management decisions may be divided into three levels. At the highest level are planning decisions pertaining to the direction of development, etc. Under the socialist system, this decisionmaking authority should remain with the owner. There can be no complete separation of ownership authority and management authority as there is in stock share companies in capitalism. Maintenance of the component of ownership by the whole people in our system of public ownership is for the purpose of applying the ownership authority of the whole people in conducting necessary control over the direction of development of certain major enterprises. Intermediate-level policy decisions are strategic decisions made by enterprises, including production management plans for a year or more, technical transformation planning, and the formulation of important rules and regulations, etc. The enterprise's leaders make proposals for these major policy decisions that are discussed and approved by a staff member and worker representative assembly to become the will of the the labor collective. Subsequently, all laborers pool their wisdom and efforts to carry them out. The third level of decisionmaking is tactical day-to-day management decisions. Without doubt, such decisions should be entirely entrusted to the enterprise's leaders, and all the workers should go along with their authoritative centralized direction.

In the implementation of the foregoing levels, a highly centralized plant manager responsibility system founded on democratic decisionmaking integrates enterprise management authority and the position of workers as masters. This is in keeping with the intent of the socialist ownership system, and is also in keeping with modern scientific management principles of devoting close attention to interpersonal relations and community behavior.

By law, enterprises are independent legal persons, and a legal person has to have a main body. In capitalist enterprises, the legal person main body (embodied in legal person institutions) are the owners of capital and their agents. In socialist enterprises, the labor collective is the legal person main body, the leader who is supported by the labor collective, i.e., the plant manager or director, being the representative of the legal person. The building of such a legal person system possessing socialist characteristics is also natural.

#### E. Enterprises' Distribution System

By enterprise distribution is meant the distribution and redistribution of newly added value created by the enterprise's labor collective. The newly added value is the value remaining after subtracting the value transferred by inanimate labor from the commodity value created by the enterprise. Distribution must first satisfy tax payment obligations to the state after which a portion



is distributed according to work for the consumption of individual laborers and the collective. Another portion is profit distributed as an incentive to investors or to the owner of assets.

In a commodity economy, only the method of "bilevel distribution according to labor" can be adopted in distribution according to labor. This means that different trades and industries set a certain proportional distribution (percentage) of the newly added value for use in distribution according to labor to the labor collective. The proportion is relatively unchanged, but the absolute figure fluctuates with the size of the newly added value. The more work, the greater the gain; the less work, the smaller the gain. There is neither a cap nor a floor. This is primary level distribution according to labor. Subsequently, there is a further distribution within the labor collective made on the basis of the size of the individual labor contribution. This is secondary level distribution according to labor. Either the state or the state through the agency of a trade organization, sets the percentage figure for an enterprise's primary distribution according to labor, thereby regulating the percentage of consumption funds in national income; however, the state does not intervene in redistribution within the enterprise, the distribution of consumption funds thereby being made democratic.

In addition to the above distribution according to labor, all the remaining portion of an enterprise's newly added value is a profit that is distributed among the investors. Profits accruing to the whole people become accumulations of the whole people to be redistributed after concentration in an investment company or an assets management company. These accumulations may be either reinvested in the same enterprises or invested in other enterprises in need of development. Profits accruing to enterprise collectives are accumulations of the enterprise collective and they become the enterprise's own accumulations for use by the enterprise in its own transformation and development. Profits accruing to staff member and worker cooperatives are distributed to individual staff members and workers as returns on their investment. At the same time, staff members and workers are urged to reinvest them to expand individual accumulations. If an enterprise has also taken in some investment by private individuals, the private shareholders receive dividends based on shares or expressed in terms of rise and fall of stocks in the market, returns reverting to the private holders for their distribution.

Should the enterprise show a loss, not only will all investors sustain a loss, but the labor collective will likewise not receive income distributed according to labor. All that can be done is to apply reserve funds previously withheld to sustain the livelihood of staff members and workers. If bankruptcy occurs, the "Bankruptcy Law" applies.

## V. Social Economic Democracy

Economic democracy in enterprises is the foundation for economic democracy in society. A complete social economic democracy organizational system that includes the elements given below should be gradually erected and shaped on this foundation.

### A. Industrial Economic Democracy

Enterprises in the same trade, as well as all economic entities, need to organize trade associations that can be voluntarily joined. These associations are not economic entities (distinct from business groups), nor can they be government agencies in disguise. Rather, they are democratic self-governing bodies made up of enterprises that play a role as bridges and links between government and business.

The main function of trade associations is to serve member enterprises, including the provision of market information, organizing personnel training, exchanging technical and managerial experiences, operating industry-wide welfare facilities (such as hospitals), etc. Following the principle of democratic centralization, they may formulate various trade regulations and trade laws that association members are required to follow, and they may agree on the formulation of technical standards, wage standards, and fluctuating prices for commodities and labor services, etc. They may represent member enterprises in criticizing and offering recommendations about government policies and ordinances, and they can accept government advice or mandates, draft pertinent trade development plans, etc. They can internally coordinate economic disputes among member enterprises, and they may establish legal institutions to provide legal advice, lawyers, etc. to member enterprises. Their expenses will derive primarily from fees paid by member enterprises, and consulting income, and their leadership organizations will be democratically elected by members. An enterprise may voluntarily join several trade associations. For example, a textile machinery plant may join both a textile association and a machinery association. If an enterprise does its own marketing, it may also join a business enterprise trade association (or chamber of commerce).

Trade associations are democratically governed civilian organizations that should, in principle, be built from bottom to top. Trade associations in individual jurisdictions may voluntarily join together to form associations that cross regional lines or that are nationwide in character.

### B. Economic Democracy in Cities

Cities are centers for commodity economy activity. Large, medium, and small cities are large, medium, and small economic centers. Economic organizations of all trades and industries are concentrated in cities. Consequently, there may also be a need to build an urban



economic democracy organization on the foundation that trade association organization provides that may be termed such-and-such city "economic federation." Such an economic federation is not a superior organization for trade associations, but rather a democratically self-governing organization that coordinates economic matters of common concern to individual trades, which individual trade associations may join voluntarily. Government agencies corresponding to trade associations are trade control units, and government agencies corresponding to economic federations are overall control units (such as planning commissions, economic commissions, fiscal, and tax units, etc.).

The function and organization of economic federations is similar to that of trade associations, but their work transcends the concerns of individual trades.

### C. Nationwide Economic Democracy

Social economic democracy is founded on trade associations (including chambers of commerce, agricultural associations etc.), and economic federations in individual jurisdictions. Further study in connection with political system reform is required about whether there is a need to build a nationwide economic democracy organization on this foundation. However, the free federation of trade associations from top to bottom is bound to bring about self-governing trade organizations that cut across regional lines, or that are national in character. The government agencies that correspond to such national trade associations will be central government trade control units. Such civilian trade organizations can take responsibility for a large volume of general trade matters; they can both help spread economic democracy and help streamline government agencies. However, civilian trade organizations cannot take the place of government units in the exercise of political authority. For example, they may accept a government mandate for democratic cooperation in the drafting of a trade development plan proposal, but examination and approval authority rests with the government. They may offer criticism and recommendations about government policies, but policy formulation and revision authority rests with the government. Trade association and government trade control unit functions cannot be blurred.

The federations of trade associations or the economic federations that large, medium, and small cities build are overall urban economic democracy organizations, but can they also form a national economic federation from bottom to top? I feel there is no need for this. To form such a stratified relationship may prevent economic democratization. However, when central government overall control units (such as planning committees and economic committees) formulate national economic plans or major policies, they should widely seek the views of economic federations in all jurisdictions, or else they should convene a national economic work conference attended by delegates from all economic federations

as effective means of carrying out macroeconomic democratic decisionmaking. If they formulate national economic plans, they should seek the views of all economic federations, which should then be democratically discussed by a national economic work conference. Next, it should be submitted to the politically democratic NPC for consideration. Since it is founded on economic democracy, it may be more realistic, and more helpful to plan realization.

Socialist economic democracy is rooted in the economic democracy of enterprises. Enterprises truly become "free and equal associations of producers," and the aforementioned social economic democracy builds into a large alliance made up of federations to form an economic democracy organizational system that is complete from bottom to top.

## VI. Economic Democracy and Political Democracy

That the economic foundation determines the superstructure is a basic principle of Marxism. In the building of a socialist democratic system, economic democracy will be the foundation for political democracy. The key issue in political system reform is the building of a socialist democratic system that enables China to become a highly democratic, highly civilized socialist society. This will be an arduous and complex historical process. Right now, attention must be focused first on the building of socialist economic democracy while simultaneously solving attendant questions directly related to economic democracy, namely the function of the Party organization, political power organizations, and trade union organizations.

The 3d plenum of the 11th Party Central Committee noted the need to solve the problem of a lack of separation between party and government, and a lack of separation of government administration and enterprise management. As part of the development of economic system reform in recent years, various reforms have been made in these regards, particularly very great reform of the relationship among the party, government, and workers within enterprises. However, in an overall sense, no clear-cut, complete system has yet been shaped that goes from the micro to the macro, and further improvements await future political system reform. Some cursory views on this matter are provided below.

### A. Separation of Government Administration and Government Control and Economic Functions

Every government functions to control the economy to a certain extent. In socialism founded on public ownership, the state has even more reason to play a major role in providing centralized leadership, and to coordinate the building and development of the national economy. In the past, the problem was one-sided emphasis on centralization to the neglect of economic democracy. This resulted in economic activity becoming rigid to the detriment of the development of productivity. As a

result of discussion and exploration over a period of years, two principles have been spelled out as follows: One is the separation of government administration and enterprise management, the two authorities being kept apart. The second is a decrease in direct control and an expansion of indirect control in the institution of "the state regulates markets, and the market guides enterprise." Nevertheless numerous problems remain in the concrete implementation of these two principles.

The principle of separation of government administration and enterprise management was spelled out a long time ago; however, in actual economic life, government administration and economic management are still not separate. Subsequently, the principle of a separation of ownership rights and decisionmaking rights was raised, the separation of government administration and enterprise management getting a further boost thereby. Nevertheless, the problem of separating government administration from enterprise management has yet to be finally solved. The current reason is that ownership rights of enterprises having a system of ownership by the whole people are exercised by government on behalf of the whole people, and objectively this leads to inability to separate government administration from enterprise management. Thus it is necessary to propose further the separation of government (government agencies) and capital (assets owned by the whole people) in order to bring about a true separation of government administration from enterprise management and a separation of the two powers.

State control of the economy may be broken down into three parts as follows: One is general administrative control over economic activity, including the formulation of economic policies and laws, the formulation of technical development plans for the economy, the formulation of technical standards for the economy, the registration of economic entities, the supervision of economic activities etc. The objects of control are all kinds of enterprises and economic entities without distinction as to their system of ownership. The second is exercise of needed indirect control of economic activities, including the use of economic levers such as taxes, interest rates, exchange rates, and the handling of important materials, exercise of necessary market regulation, and guiding the actions of enterprises and other economic entities so that they will be consistent with, or nearly consistent with state prescribed plan goals. These objects of control are likewise enterprises and economic entities of all kinds without regard for their system of ownership. The third is control of assets owned by the whole people in the exercise of ownership rights over the assets of the whole people. The object of such control is limited solely to enterprises having assets belonging to the whole people. This control is a special property control distinct from general administrative control. The trouble today is that these two types of control, which differ in character, are mixed together, government functions and shareholder functions being homogenized.

As a result, the ultimate separation of government administration and enterprise management is impossible.

One effective way of solving the foregoing contradiction is to take away from government exercise of ownership rights over assets belonging to the whole people, the NPC and people's congresses at all levels setting up "Whole People Assets Control Committees" to control assets belonging to the whole people. Below the committee level, both general and specialized investment companies or assets management companies could be established to serve as legal groups with responsibility for the administration and control of assets belonging to the whole people. These companies would also be legal enterprises acting in accordance with policies set by people's congresses and guided by state plans in making investments and managing current assets. They would be responsible for fulfilling set capital profit rates, and for reinvestment of profits earned. In the role of shareholders, they would control shares in enterprises invested in, and enjoy the ownership rights of stockholders.

Once government administration has been separated from management of capital, the government would exercise only general management over enterprises; it would not exercise the right of ownership of assets belonging to the whole people. The government could set up trade management units separate from general management units, but they would be oriented toward all enterprises, and would not be subordinate units of whole people ownership system enterprises. No enterprise would have a subordinate relationship to government. The property rights of enterprises would be vested in shareholders of different characters. Whole people assets management companies would hold office as stockholders for companies invested in by the whole people. The separation of the two powers is an issue regarding stockholders in an enterprise having power over the independent management of the enterprise, and is of an entirely different nature than the separation of government administration from administrative management. Only in this way can government administration be thoroughly separated from enterprise management, enterprises becoming genuinely independent commodity producers and managers, the socialist economy thereby being put on the operating track of a normal commodity economy. It is also only in this way that the government can become an authority that stands apart from ownership systems in the administration and control of the whole national economy. Government finance should be "public finance," tax revenues being used for public expenditures and for investment in public facilities; they should not be used for investment in profitmaking enterprises. This would be an effective remedy for the "investment starvation," which is a common ailment of socialist society.

#### **B. Separation of Party and Government, and the Leadership Role of the Party**

The socialist revolution and socialist construction are both inseparable from the leadership of the CPC. There

can be no wavering on this point. Nevertheless, during different historical periods, the party must adopt a different leadership style for different historical tasks if it is to be able to play its leadership role effectively. During the revolutionary war period, as well as during the early period of socialist construction, there was an objective necessity for the integrated party and government style of leadership. Today, however, when historical tasks have changed, the party's leadership style must also change, and proposing the principle of a separation of party and government is entirely correct.

There are substantive differences in the roles of the party as a political organization, of enterprises as economic organizations, and of government as an organization of state power. The party organization cannot take the place of the economic organization, nor can it take the place of the state power organization; however, the party has to play its political ideology leadership role fully in order to insure that the state and all endeavors follow the socialist road of development.

Within enterprises today, it has been made clear that the party organization is not to interfere with the enterprise's administrative and production work, but in the field of ideology and politics, it is to play a guaranteeing and superintending role. However, there is a lack of experience in actual operation of just how this role should be carried out. Party workers long accustomed to no separation of party and government frequently feel, in the course of this change, that they have no "authority" in their own hands, never mind guaranteeing and superintending. This is not the case, in fact. The CPC's historical experiences show that during the period when the party engaged in clandestine activities, not only was there no government, but numerous nonparty organs, groups, and agencies had no authority. Nevertheless, because of the correctness of the party's ideology and policies, by relying on the model character of party members, and through close contacts with the masses, they received the support of the masses. Why is it that our party, which has the power to launch numerous mammoth campaigns, and which has played a powerful leadership role, feels that it is powerless today?

Take a single enterprise in which the party organization was entirely able to integrate the carrying out of its political and ideological leadership role, the enterprise's carrying forward economic democracy. The specific organizational methods used may be envisioned as follows:

1. First of all, the party organization did a good job of ideology building and organization building within the party so that every party member became a model for the masses in terms of moral character, ideology, and conduct. Unless this is done, it is impossible to establish the party's prestige among the masses.

2. Calling of each party member into action to show concern for the masses, and to form links with the masses, enabling party members to become intimate friends in whom the masses can repose confidence. Only when this is done can party members be relied upon to teach the masses, lead the masses, and make timely reports to the party on the wants of the broad masses.

3. Active promotion of economic democracy in enterprises, correct handling of the relationship between centralization and democracy in enterprises, reliance on party members to energize the masses for correct exercise of democratic rights, strict implementation of democratic centralization, and respect and support for plan managers' and plant directors' managerial authority.

4. Take full advantage of the role of democratic policy decisions of staff member and worker representative assemblies. Require that party member delegates among staff member and worker delegates exercise a model role, and depend on party member delegates to forge links with non-party member delegates to carry out jointly the party and the state's plans and policies, show concern for enterprises' development, and steadily improve staff member and worker living standards by developing the economy and improving performance, concurrent concern for the interests of the state, enterprises, staff members and workers being shown thereby.

5. Once the genuine support of the masses of staff members and workers has been obtained, party organization leaders may be elected to the chairmanship of staff member and worker representative assemblies, a position from which they can more directly lead the democratic management of enterprises, make correct decisions about major enterprise policies, and lead staff members and workers throughout plants in the pooling of their knowledge and ability for realization of the enterprises' development goals.

6. Party organizations should themselves be more democratic. In principal, the position of party secretary should be a democratically elected one rather than one filled or vacated by higher authority in diligent exercise of democratic centralism within the party. Small enterprises may not be required to have professional party cadres, and if large and medium-sized enterprises have required professional personnel, their wages and bonuses should be paid for by the party. A separate system should be established that is entirely separate from the enterprise. This is the only way in which the party organization can become a political organization that stands apart from administration.

In the implementation of the foregoing, should a majority of party members be unable to play a model role among the masses, and the party organization and party secretary be unable to gain the support of the masses, they will be rejected by the masses in the course of economic democracy. Should such a situation arise, the party organization at a higher level should disband the

party organization in this enterprise, and carry out restructuring and rebuilding. The party leadership methods outlined above may be said to be the operating style of the underground party openly applied to the "above ground" building of socialism. They are in keeping with the principle of a separation of party and government, and they can genuinely make full advantage of the party's leadership role.

### The Role of Trade Union Organizations in Economic Democracy

Trade unions are organizations of the masses of staff members and workers. During the revolutionary period, the mission of the trade unions was to organize the hundreds of millions of staff members and workers to struggle, under party leadership, for the overthrow of the old social system. During today's period of building socialism, the mission of trade unions should be to organize the hundreds of millions of staff members and workers under party leadership to be masters in their own house, and to struggle for the building of a new social system. Consequently, the key task of trade union organizations today and in the future will be to take advantage of their organizational role to build and promote socialist economic democracy.

In enterprises today, trade unions have naturally become daily work organizations for staff member and worker representative assemblies. This is entirely in keeping with the requirements of the aforementioned task. If the party organization secretary in an enterprise is elected chairman of the staff members and workers representative assembly through mass support, and the trade union chairman can be elected vice chairman of the staff members and workers representative assembly, that will better help in doing a good job of enterprise democratic management organizational work under party leadership.

With the building of economic democracy from bottom to top in trades and in cities on a foundation of economic democracy in enterprises, trade unions in trades, and the general confederation of labor in cities can become active organizers and servers of economic democracy in trades and in cities in the same way as in enterprises.

### Concluding Remarks

Very possibly some comrades will maintain, without due analysis, that the foregoing proposals are a reprint of the Yugoslavian workers self-governing model. They may also conclude through the use of simplistic logical reasoning that the difficulties that Yugoslavia is facing today have resulted from the workers' self-governing system, thus deducing that this proposal is not desirable. Criticism of a socialist country's reforms should not become the subject of this article; however, in order to reply to the foregoing apprehensions, a little digression is necessary.<sup>5</sup>

First of all, I believe that one should not rely on impressions or assumptions when judging an issue, but rather one should observe the dialectic materialist principles of "concrete analysis of concrete problems to make a scientific analysis and judgment based on full investigation and research.

Yugoslavia was the earliest socialist country to conduct reform, extremely great accomplishments having been scored in more than 30 years of reform under Tito's leadership. In the development of the economy, for example, per capita national income rose from slightly more than \$100 in 1950 to \$2,620 yuan in 1980 testifying to the results achieved in reform. However, after Tito's death, for various objective reasons, the economy faced extremely great difficulties. I believe that the fundamental reason is not to be found in workers' self-governance, but rather in the strengthening of regionalism and nationalism, which caused a loss of control over the federation's macroeconomy. If one were to draw a lesson from Yugoslavia, the most important point should be the prevention of excessive expansion of local authority creating regional break ups, each region becoming a law unto itself, with damage to socialist unified markets and central government centralized control.

Yugoslavia's economic difficulties also stem from numerous macroeconomic policy mistakes, as in the case of its energy policy, its agricultural policy etc., which have no direct bearing on the economic system. The self-governing system is also not entirely defect-free. For example, the institution of a social ownership system in the system of ownership did not solve problems in directly linking producers and the means of production. The various measures adopted after 1965, in particular, such as demoting self-governing basic units from enterprises (joint labor organizations) to branch plants and workshops (joint labor basic level organizations) had a deleterious effect on the completeness of enterprises, etc. Even so, we should appreciate that the theory and practice of reform in Yugoslavia was also correct and rational in certain ways. Reforms conducted in the USSR and some socialist countries of Eastern Europe have affirmed the basic principle of enterprises being self-governed by labor collectives, which is one expression of their having borrowed from Yugoslavia's positive experiences with worker self-government.

As for my foregoing advocacy of economic democratization, this differs very greatly from the Yugoslavian worker self-governing system. In the ownership system, I do not approve of an abstract social ownership system, nor do I completely reject a whole people ownership system. On the contrary, I advocate use of a worker joint system as a basis for taking more effective advantage of the role of the whole people ownership system in the system of public ownership. In the management system, I do not approve having workers committees dominate everything; instead I advocate having labor collectives exercise strategic policy decisionmaking authority, using

this democratic policymaking as a basis for building a highly centralized plant manager responsibility system that would integrate managerial authority and the position of staff members and workers as masters. In the distribution system, I advocate a "two-tier distribution according to labor," with proportional control being exercised over distribution according to labor for labor collectives, rather than complete non-interference. In the distribution of accumulations, I advocate enterprises having a fixed source for self-accumulation, and I also encourage staff members and workers to become shareholders and to increase individual accumulations, etc. All this is very different than the Yugoslavian workers self-governing system. However, the Marxist socialist economic democracy idea of regarding enterprises as "free and equal producer associations," with a large nationwide alliance made up of all such associations is, without doubt, a common point of democratic self-rule advocated by Yugoslavia as well as the USSR and Bulgaria.

China has emerged from a semifeudal and semicolonial society, and gone through a revolution to take the socialist road. The consciousness and traditions shaped by the several thousand year old feudal system is an extremely heavy historical burden in our building of socialism and carrying out reform. The great May 5th Movement raised the slogan of science and democracy, but these two great tasks were not fully realized during the democratic revolution. They became a daunting task that we had to continue to complete during the preliminary stage of socialism. Advancing democracy and studying science have a bearing on how to deal with the two nonsocialist ideologies and traditional strength of feudalism and capitalism in the historical process of building a distinctively Chinese kind of socialism. We must completely strike off the various kinds of invisible shackles that feudalism has bequeathed to us in order to be able gradually to build a socialist democratic system. We must divide one into two with regard to capitalism, which is to say we must guard against corrosion from the decadence of capitalist countries that confronts us, while also studying the scientific knowledge and experience that they have accumulated, including knowledge of science and technology, management experience, commodity economy operating mechanisms, and experiences with state management of the commodity economy. Study will be the most important of these two conflicting aspects. Recognizing the common characteristics of commodity economies, and "learning from capitalism" are not outrageous slogans. However, it is necessary at the same time to seek and to uphold socialism's special characteristics, and make the most of the superiority inherent in socialism as the only way to be able to take a socialist road that is distinctively Chinese.

Building a socialist democratic system and a socialist commodity economy system requires implementation of socialist economic democracy first. This is the conclusion of this article.

#### Footnotes

1. See *Selected Works of Deng Xiaoping*, People's Press, 1983, p 135.
2. *Compilation of Documents of the 13th National CPC Congress*, People's Press, 1986, p 26.
3. Comrade Lin Zili [2651 1311 0500] has made a systematic exposition of the two level partnership of workers. See Li Zili's, *On a Socialist Economy*, Vol 2, Economic Science Press, 1986, pp 337-403.
4. Engels, "On Authority." See *Selected Works of Marx and Engels*, Vol 2, p 551.
5. For my views on Yugoslavia, see "Yugoslavia's Self-Governing System and Present Economic Difficulties," which I wrote following a visit to Yugoslavia in October 1983, and which was published in *Industrial Economic Management Series*, Issue 3, 1984.

#### PROVINCIAL

##### Qinghai Vice Governor Announces 1989 Economic Goals

40060327 Xining QINGHAI JINGJI BAO in Chinese  
19 Jan 89 p 2

[Article by reporter Yang Min 2799 2404: "Bian Yaowu Gives Important Speech at Provincial Economic Work Conference; Urges Vigorous Efforts To Improve Qinghai's Economy"]

[Text] Bian Yaowu [0593 5069 2976], Qinghai vice governor and member of the standing committee of the provincial party committee, delivered an extremely important speech on economic work in Qinghai at the provincial economic work conference. Bian spoke on 10 issues: an appraisal of Qinghai's 1988 economic performance; the guiding ideology and basic outline of the 1989 national economic plan as it pertains to Qinghai; devoting time and effort to administrative reorganization in restructuring the economy; reducing overall social demand as a requirement for stabilizing the economy; devoting major effort to develop production and increase effective supplies; actively organizing commodities and developing flourishing urban and rural markets, and rigorously controlling prices; ensuring sustained, steady economic growth in a controlled manner under conditions of tight credit and finance; exploiting domestic potential and increasing economic return; further developing various social endeavors, such as science, technology and education; and seeing to it that administrative reorganization is intimately linked with thoroughgoing reform and an intensified opening to the outside.

Vice Governor Bian Yaowu emphasized five aspects in addressing the appraisal of last year's economic performance in Qinghai in order to promote significant development of the future economy of the province. He said that the province last year conscientiously implemented the policy of "economic stability and intensified reform" proposed by the central authorities, actively carried out the policies set by the 3d plenum of the 13th CPC Central Committee, which called for "controlling the economic environment and reordering the economy," furthered reform and opening to the outside, and promoted steady development of the national economy.

A. The rural pastoral economy continued to develop. Last year, although some pastoral areas suffered such natural disasters as serious early spring droughts, summer hailstorms, and an unbroken spell of postharvest wet weather, since more was pumped into the agriculture and livestock industries, we still were blessed with fine agricultural and livestock production, equal to a normal or above-normal yearly output, since various capital construction projects and measures to promote production management, fight natural calamities, and protect livestock were sound, and since we popularized new techniques to increase production and bring bumper harvests. Statistics show that total cereal grain output increased 1.6 percent; oil crop production was slightly higher than the previous year's level; and livestock herds increased by 730,000 head, with 20.6 million head on hand at year's end. Backsliding in the township enterprise realm was reversed, with an estimated growth of 11.7 percent. Development of the rural pastoral economy and a rise in agricultural and sideline product purchase prices led to increases in income for the farmers and herdsmen; according to a sample survey, their net per capita income increased 11.2 percent.

B. Industrial production, communications, and transportation continued to expand. Thoroughgoing reform and widespread implementation of the contracting responsibility system increased enterprise vitality and promoted development of industrial production. Several key state projects, such as the Qinghai Aluminum Plant first stage, the Longyangxia Hydroelectric Plant, and the Minhe Magnesium Plant first stage, were constructed or partially constructed and put into operation, which led to significant progress in Qinghai's energy and raw material industries. Overall industrial output value in the region increased 20.4 percent. The industrial product mix was restructured, and there were relatively large increases in output of electrical energy, crude oil, steel stock, ferrosilicon, and nonferrous metal products, as well as agricultural means of production and consumer industrial products. Crude salt exports topped 1 million tons for the first time. At the same time, industrial enterprises enjoyed increased economic return.

There was a fairly large volume of transport, and post and telecommunications activity. It is estimated that provincewide rail and highway passenger traffic

increased 2.3 percent over the previous year, and that goods shipments increased 1.02 percent. Total volume of post and telecommunications activity increased 8.7 percent.

C. There was a new reordering of investment in publicly owned fixed assets. In the area of capital construction, we must continue to implement the "three guarantees and three reductions" policy, and expedite construction of key state projects.

D. Both internal and external trade activity was brisk, with expanded commodity circulation. Last year the government and responsible departments at all levels adopted effective measures to curb the many surges of panic buying in the market, increased production, organized sources of supplies, and ensured basic market stability. Total volume of retail sales of social commodities for the year is estimated to have increased 18.5 percent over the previous year. Foreign trade exports are estimated to have increased 12.1 percent above the contracted planned target. The export commodity mix was improved.

E. The fiscal situation was pretty good. Economic development brought continued growth in local financial revenues, which are estimated to have set a new record by increasing 25 percent over the previous year. Urban and rural savings slipped for a time during the panic purchasing, and gradually rose again over the ensuing several months. Yearend bank and credit cooperative deposits were 630 million yuan greater than end-of-year deposits the previous year; outstanding loans increased 1.17 billion yuan over the previous yearend amount. A total of 169 million yuan in currency was put into circulation, control of which was governed by the state plan.

In summary, Qinghai's overall economic performance was good, but due to major external factors, many problems and hardships remained in the course of economic development. The primary ones were excessively large increases in prices, a stubbornly conspicuous conflict between inadequate rail transport capacity and electricity and raw material shortages; added troubles in balancing finances, and progressively tighter funds.

To counter this, we must have adequate understanding and ample ideological preparation. All areas and sectors, when carrying out this year's plan, arranging the economy and conducting systemic reform, must conscientiously study the situation, make advance preparations, and act decisively in order to ensure all economic work will be carried out smoothly.

When speaking about Qinghai's involvement in carrying out this year's national economic plan, Vice Governor Bian Yaowu emphatically pointed out that our guiding ideology must make clear the 7 points outlined below and that we must devote major efforts to accomplishing the 10 major goals for this year's national economy:

1. The primary goal and basic mission of this year's economic work is to see that price increases are manifestly lower than in 1988 by improving the economic environment and rectifying the economic order. All plan arrangements and economic activities must be subordinated to and serve the cause of realizing this goal and mission.

2. Conscientiously reduce excessive social demand. This calls primarily for controlling the scale of investment in fixed assets and the unduly rapid increase in consumption funds.

3. Tighten financial credit. We must increase revenues and decrease expenditures, and ensure the two are in balance. The banks must rationally control the scale of credit and the amount of currency put into circulation, work hard to increase savings, raise funds, and actively support local economic development.

4. Increase and improve effective supplies and at the same time control social demand. Vigorously increase production of agricultural and livestock products, light industry, and textile products which enjoy a ready market, energy, and raw materials in short supply. Expediently exploit natural resources.

5. Elevate agriculture to a position of extreme importance. Accelerate cereal grain production, increase agricultural investment, promote means to better exploit agriculture, emphasize agricultural science and technology, and strive to make this year's harvest a bountiful one.

6. In restructuring, we must devote time and effort to improving the economic environment and rectifying the economic order, and seek development in the process. We must take the initiative to restructure industry, and appropriately readjust the investment structure, financial credit structure, and enterprise organizational structure.

7. Intensify reform on all fronts. In line with the central plan, we must slow down the pace of price reform this year, and emphasize enterprise reform, and reform of the macroeconomic control system. We must enhance and improve macroeconomic control through administrative, reorganization and reform.

In accordance with the guiding ideology presented above, this year's national economic plan and the principal goals for the national economy can be outlined as follows:

1. Maintain a rational rate of development: agricultural output is to increase 4 percent; industrial output, 10.2 percent; gross national output value, 8 percent.

2. By controlling demand, increase and improve effective supply, adopt strong measures to control rises in prices, and work hard to keep the rise in this year's retail price index significantly below last year's.

3. Increase gross output of cereal grain by 4 percent, and oil crops by 10 percent. Produce 125,000 tons of meat and 15,500 tons of wool.

4. Give priority to developing daily necessities and industrial consumer goods for which there are market shortages, and accelerate development of the energy and raw material industries. Increase production of crude salt by at least 20 percent; crude oil, 12.9 percent; steel stock, 14.3 percent; ferrosilicon, 240 percent; aluminum ingots, 160 percent; and potash fertilizer, 100 percent.

5. Pay attention to rail transport, and increase the volume of important products shipped outside the province. We must provide for the rail shipment of 4.5-4.7 million tons of goods provincewide.

6. Total investment in fixed assets will be 1.925 billion yuan, of which 1.14 billion yuan is to be invested in state large and mid-sized projects, 250 million yuan more than in 1988. Local investment will be 786 million yuan, of which 654 million yuan is to be invested in basic construction for the whole people. Investment in replacement and transformation will total 204 million yuan.

7. Improve market supplies and provide for the people's livelihood. Total volume of retail sales of social commodities should increase 18.5 percent.

8. Expand foreign trade exports. Increase the gross value of exports 17.8 percent. In accordance with the improved situation in exploiting raw materials, readjust the export commodity mix and increase the proportion of industrial and mineral products.

9. Further develop scientific, technological, educational, cultural, and health endeavors. Adhere to the principle of adapting development of the various social causes to financial resources, plan as a whole, and strive for practical results. Under conditions of reduced basic construction and financial expenditures, focus on education.

10. Resolutely control population growth, and require that the natural growth rate for the population not exceed 17 per 1000.

## FOREIGN TRADE, INVESTMENT

### Impact of 1992 EC Integration on Export-Import Situation

40060401 Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 1, 27 Jan 89 pp 33-35

[Article by Zhang Pingfeng 1728 1627 0023: "Current Obstacles Facing Sino-EC Trade, Impact of EC Integration"]

The formation of trade regions and blocs is an obvious development trend in the world economy. The EC bloc has 12 member nations, covering an area of 2,250,000 sq



km, with a population of 320 million, and a gross domestic product of almost \$260 million [as published], and nearly 40 percent of total world trade. In 1992, a giant, internally unified market will be established to allow unrestricted transfer of merchandise, capital, labor, and other personnel within the EC. It will undoubtedly have a profound and extensive impact on the world trade and the world economy.

Opinions, of course, vary about realization of such a unified market on the scheduled date. Scholars in China have different views on the subject and disputes remain within the EC. Farsighted political observers, economists, and analysts of various countries of the world do believe, however, that progress toward a unified internal market within the EC is irreversible. What effects will such a market have on the trade relationship between China and the EC? This paper is the author's attempt to analyze the situation from a macroeconomic point of view.

#### Current Problems and Obstacles in Sino-EC Trade

Since 1980 a general preferential status has been accorded to all Chinese exports by the EC; the scope of the preferential treatment is being expanded in gradual steps. Bilateral Sino-EC trade has since increased from \$5.070 billion in 1980 to \$11.605 billion in 1988 (there was a slight reduction to \$11.105 billion in 1987) at an annual rate of increase of 10.9 percent. Despite this development, the following problems persist:

EC authorities regard China as a country of state trade and do not regard China as a developing country. Although preferential status has been granted, there remain strict conditions and complicated regulations of discrimination. Statistically speaking, only about 50 percent of the preferential treatment is being utilized (of course some of that is due to China's own reasons.)

A great deal of potential exists in either the scope or the proportion of bilateral Sino-EC trade. In 1986, for example, exports to EC amounted to \$3.909 billion, which was 12.9 percent of the total value of China's exports for that year. The value of imports from the EC amounted to \$7.606 billion, which was 17.9 percent of the total value of imports to China. In terms of the EC, imports from China amounted to only 1.3 percent of all EC imports, and exports to China amounted to only 1.9 percent of all EC exports.

The bilateral trade figure has not been stable; there have been intermittent rises and falls. From 1970 to 1980, the bilateral trade grew 4.43-fold, but growth was uneven and inconsistent. In 1981, it grew 6.9 percent over 1980; in 1982, it fell 14.8 percent. In 1983, it again rose 25.2 percent; in 1984, it again fell 3.9 percent. In 1985 there was another increase of 33 percent; in 1986, it leaped 61.7 percent; while in 1987 it again fell 4.3 percent.

China's export merchandise structure cannot adapt itself to the changes in the import merchandise structure of the EC. China's exports to the EC are mainly agricultural specialty products, their by-products, light industrials and textiles that amount to about 70 percent of the total. The imports of the EC are mainly fuels, raw materials, machinery, and transportation equipment, which amount to about 60 percent of the total. An analysis of changes in the EC import merchandise structure reveals that of the total volume of imports, the proportion of foods, beverages, and raw materials has been heavily declining. For example, they have fallen from 60.4 percent of the total in 1958 to 19.4 percent in 1986. Meanwhile, the ratio of machines, transportation equipment, fuels, and chemicals have increased in various degrees. For example, they rose from 25 percent in 1958 to 47.6 percent in 1986. The types of merchandise whose proportions are falling in EC's import structure are exactly the same types as the current and future major exports of China. Those types whose proportions are rising among EC imports, are the same as those for which production technology is relatively backward in China at present. They are the products of which China is able to export few to the EC.

China's export difficulties are further exacerbated by the imposition of various import restrictions by the EC. Almost all the products for which China has the ability to increase exports have been given various restrictions, while the volume of their imports by the EC is growing. Textiles are regarded as products of "extreme sensitivity," and are naturally given strict quota limits. Other products are no exception. For example, in 1980, strict quota limits were placed on 140 types of China's non-textile products. The EC has practiced several restriction strategies. One is fictitious quotas. That is to say every year among the products for which the EC has given import quotas to China, are many products China has no capability to manufacture. The second strategy is to practice strict quota restrictions on products that China has the capability to export. Every year, the rate of increase of these products is necessarily controlled within limits acceptable to the EC. The third strategy is to include on the antidumping list those products with a relatively fast rate of export volume growth. From 1979 to this day, nearly 20 Chinese export products have been placed in the antidumping category.

Most Chinese exports to the EC are medium- or low-grade products that do not meet the needs of the high-consumption markets of the EC. This is especially so with regard to some traditional foodstuffs, which have been prohibited from entering the EC because of excessive insecticide and antibiotic residues. In recent years, certain management confusion has caused obvious deterioration in the quality of some Chinese exports that had traditionally enjoyed a good international reputation.

The needs of internal economic construction in China have caused large-scale increases in imports while it has been very difficult to increase exports. This fact has led



to a regular trade deficit with the EC. In 1986, China's imports from the EC amounted to \$7.605 billion, exports to EC amounted to \$3.908 billion. The deficit was \$3.607 billion. There was only a 52-percent coverage of exports for imports. From 1980 to 1987, the cumulative deficit reached \$13.802 billion.

Among Chinese exports to the EC, the ratio of textiles is excessively high. In 1986, it was 36.5 percent, amounting to 1.504 billion European currency units (it was 30 percent in 1980; 39.6 percent in 1984). Although in recent years the proportion of finished textile products has increased a great deal, the dependence of China's export trade on textile products remains the current trend.

#### **Impact of Market Integration on Sino-EC Trade Relationship**

##### **Favorable factors:**

First, the establishment of an integrated market will cause world trade to steadily move toward formation of multistate blocs. The EC integrated market will become the world's first large trade bloc. The stability and prosperity of the EC economy will be favorable for worldwide reforms and readjustments. Meanwhile, the Sino-EC political relationship is good and the economic relationship is mutually complementary. The EC has always been an important trade partner for importing materials and equipment and the target market for the strategy of developing a diversified export trade. The stability and prosperity of EC will, therefore, be helpful in altering the current situation of the excessively heavy share of Sino-Japanese-American trade in China's external trade structure.

Second, within the integrated market, there will be four types of unrestricted transfers. In direct or indirect capital investment, citizens of all member nations will receive nondiscriminatory treatment. When a license is issued in one country, it may be used in any other member country and the products may be moved within the entire integrated market. This condition is favorable for China to proceed with an exploration of the entire EC market as a unified entity.

Third, with an internally integrated market, all trade barriers will be lifted and product specifications and standards will be unified. In this manner, China will be able to make its export products in accordance with one unified specification and standard for all EC member countries. The elimination of the currency barrier is favorable for merchandise circulation, and losses caused by currency fluctuations may be reduced. Unification of tax policies and commercial trade regulations of the various countries will improve work efficiency a great

deal. In general, these improvements will make it favorable for China to promote sales in the entire EC region, including formation of trade strategy, sales promotion measures, pricing, channel selection, after-sales service, advertising, etc.

##### **Unfavorable factors:**

First, the EC itself has heavy political overtones. Following establishment of the integrated market, as the unification process accelerates, the interrelationship, dependency, and trade of the member countries will certainly strengthen and develop (the share of regional trade was 34.5 percent in 1958, 53.7 percent in 1979, and 57.7 percent in 1986), otherwise there will be no way to realize the economic, currency, and political unification of the EC. With the strengthening and development of regional trade, there will be a relative weakening of trade outside the region. It may be predicted that China's market share of the volume of EC's external trade will be affected.

Second, when the four types of unrestricted transfers and unified value-added taxes are implemented in the integrated market, investment within the region will necessarily be diverted to Spain and Portugal where production costs are lower. Their labor-intensive products will be in fierce competition with Chinese products of the same categories. Within the EC, they will, of course, have the advantage.

Third, the EC itself is an economic trade bloc with a protectionist and exclusive character. A series of trade agreements were signed with many developing countries, and its relationship with the "Lome Convention" signatories is especially close. Ninety percent of the imported petroleum and 75 percent of needed industrial raw materials used by the EC countries comes from the developing countries, while 100 percent of the industrial products and 94 percent of the agricultural products exported by these countries into the EC are free of duties. For the purpose of guaranteeing the sources of energy and raw materials and the markets for its industrial products, after the integrated market is established the EC will necessarily use all possible means to protect the export benefits of the developing countries with which it has close relationships. Although China has trade agreements with the EC, the degree of preferential treatment is far lower than that granted by the EC to the developing countries, and the preferential system enjoyed by China is very incomplete. Hence, export merchandise from China will of course be affected and discriminated against.

Fourth, after the integrated market is established, the restrictive measures of the various member states will be replaced by the unified restrictive measures of the integrated body in order to form a unified protective system and nontariff wall. Due to the fact that within the EC there is a great difference in the level of industrial development among the member states, the backward

members will call for protection of their own individual domestic market, while in order to protect the regional market and harmonize the interests of all member states, the EC will necessarily adjust its trade policies and measures, resulting in more frequent and increasingly intense frictions.

Fifth, it should be pointed out that the EC clearly announced recently that "the integrated market does not involve an immediate elimination of all external protective measures. The EC will adopt unified protective measures with respect to such industries as automobiles, textiles, etc., that are especially weak and fragile departments in Western Europe." It is obvious that the integrated market will not relax restrictions on textile products.

Some suggestions:

First, after establishment of a unified market with free flow and fair competition of merchandise, a wholesale center will definitely develop within the realm of the EC for all types of products. We should, starting now, select some agents and commission merchants in the EC with good reputations, broad channels, and abundant capital.

Second, we should realistically improve the quality of key products and increase their varieties based on the need of the EC market to develop quickly in the direction of quality improvement in medium- and low-grade products.

Third, the export product structure should be changed to nurture machinery, electrical, and instrument-type products.

Fourth, research studies of the trade policies of the EC should be reinforced. Close attention should be given to the EC's unified merchandise specifications and standards so that when export products enter a country they may be quickly spread to the entire EC market. The EC laws on capital investment, corporations, industrial competition, and mergers should also be studied. The larger enterprises with sufficient resources should be allowed to invest in the EC directly or to invest directly in those developing countries that have close relationships with the EC in order to march into the EC market.

Five, we hope the EC authorities will recognize China as a developing country and expand the scope of its general preferential treatment. China's large trade deficit with the EC and the special characteristic of China being a potential market for the EC should be used to seek increased official financial and technical aids. The funds thus obtained should be designated for special purposes, such as establishing export enterprises to the EC or developing promising machine, electrical, and instrument products.

Six, all-around "European-type" talents should be cultivated. Efforts should be made to train foreign trade specialists who understand two or more European languages, who are familiar with the European market environment and knowledgeable about European commerce, and who possess strong business acumen and an enterprising ability.

## POPULATION

### **Gansu Eugenic Law Bans Reproduction by Mentally Retarded**

40060299 Beijing LIAOWANG [OUTLOOK] in Chinese No 4, 23 Jan 89 pp 14-15

[Article by Qu Weiyong 1448 4850 5391 and Niu Xinli 3662 2450 5461: "Eugenic Law Consistent with China's Population Control Policy"]

[Text] "Regulations Prohibiting Reproduction by the Mentally Retarded," which was adopted by the standing committee of the Gansu people's congress in late 1988 and went into effect formally on 1 January 1989, is China's first local eugenic law.

This piece of legislation was drawn up after a full investigation into the lives of the mentally retarded in Gansu and a careful consideration of the pros and cons.

In real life, the mentally retarded not only are incapable of enjoying the fruits of human progress—civilization and reason—and creating any value, but also impose a heavy burden on the state, society, and their families.

## I

In view of the plight and suffering of the mentally retarded, the delegation from the Pingliang region proposed the first resolution banning reproduction at the first session of the 7th Gansu people's congress in March 1988. In April, the Gansu people's government submitted provisional regulations to the standing committee of the people's congress on banning reproduction by the mentally retarded and proposed that the congress prepare local regulations toward that end.

The draft regulations were reviewed by the second and third meetings of the standing committee of the 7th Gansu people's congress held in early May and July last year, respectively. A majority of members believed that outlawing reproduction by the mentally retarded has great significance for improving the caliber of the population, protecting productive forces, and speeding up the enrichment of the people. Some members, however, argued that congenital mental retardation is the result of local diseases and the living environment and can be eliminated by improving the natural environment and living conditions; a legislative ban does not solve the root problem. Others also suggested that this kind of legislation goes beyond what the people can accept

psychologically. If a law is unacceptable to the people, it will be difficult to enforce, on the one hand, and may have undesirable social consequences, on the other.

After the third meeting of the standing committee, the proposal was further examined by the legislative work committee of the people's congress. Their materials show that many countries are actively promoting eugenics and, depending on their actual national conditions, are imposing restrictions on or are prohibiting through law marriage and reproduction by those who were born mentally handicapped. Both developed and developing nations require their severely mentally retarded citizens to practice birth control. Japan's "Eugenic Protection Law" prohibits marriage and reproduction by people suffering from any one of over 30 types of mental disease such as hereditary psychosis, schizophrenia, hereditary retardation, and hereditary mental disorder. The civil law of Austria stipulates that "the mad, insane, and idiotic cannot be effectively united in matrimony."

Meanwhile, the standing committee of the Gansu people's congress and the departments concerned convened several seminars attended by experts and scholars to thrash out the issue. About a dozen investigation teams were organized by departments in charge of family planning, the prevention and treatment of local diseases, medicine and sanitation, and civil administration and were sent to areas with a high incidence of mental retardation to study the conditions and causes. In conjunction with the educational, scientific, cultural, and sanitation working committee and the provincial family planning commission, the chairman's conference of the standing committee of the people's congress decided to organize a symposium in late July last year to which they invited professors and experts in Lanzhou who specialized in medical heredity, biology, and clinical medicine to discuss reproduction by the mentally retarded. Taking advantage of the second national eugenic science symposium being held in Lanzhou in mid-August 1988, the provincial family planning commission invited more than 20 famous experts, foreign and domestic, to discuss the feasibility of drawing up a law to ban reproduction by the mentally retarded.

How acceptable is such a ban to the public? According to a questionnaire survey of 2,786 people in 11 different professions in Lanzhou, Wuwei, and Kangle counties, over 90 percent of the interviewees strongly advocated banning by law reproduction by the mentally retarded. It can thus be seen that a majority of people understand and accept the idea.

The consensus arrived at as a result of all these studies, investigations, and analyses was that outlawing reproduction by the mentally retarded is consistent with China's population policy of "controlling quantitative growth and improving population quality" and the reproductive principles of eugenics and is essential to society, families, and the mentally retarded themselves.

## II

The law consists of 11 articles and makes detailed provisions for the prevention of childbearing by the mentally retarded. To make sure people with ordinary mental defects are not lumped together with the mentally retarded, article 2 stipulates that to be considered mentally retarded, a person must possess these three characteristics: 1) the retardation must be congenital, caused by genetic factors, the marriage of close relatives, or because of one or both parents' exposure to an external agent; 2) moderate or severe mental retardation as indicated by an IQ lower than 49; and 3) behavioral handicaps in language, memory, orientation, and thinking. Article 7 also provides for examination by a hospital designated by the sanitation and administrative departments to make a diagnosis if it is uncertain whether a person should be regarded as mentally retarded for the purpose of this law.

Analyses of monogenes and double genes and chromosomal abnormalities by geneticists and biologists shows that, although prenatal mental birth defects can be caused by any number of things, heredity is the dominant factor. The IQ's of parents are in direct proportion to that of their children. If the parents have a high IQ, so will their children. Genetics proves that the development of human intelligence is most intimately related to genetic factors. According to pathological studies, those who suffer from congenital retardation account for about 50 percent of the mentally retarded. In a study of more than 449 mentally retarded people, over 50 percent have a family history of mental disease. Therefore, the law "bans reproduction by the mentally retarded." "The mentally retarded shall be sterilized before they are allowed to marry." "If both parties are mentally retarded, only the woman shall be sterilized. If only one party is mentally retarded, then he or she alone shall be sterilized." The law bans reproduction, not marriage, and permits the mentally retarded to marry provided they are sterilized first.

As for those who married before the law took effect and who have not been sterilized or still have reproductive capability, the law requires that they be sterilized as well. Examinations, diagnoses, and sterilization shall be free of charge to the mentally retarded. Their costs shall be borne by county people's governments.

The mentally retarded do not have reasoning power and cannot control their own behavior or handle their own affairs independently. Legally they are considered incapable of civil conduct. In view of this fact, article 9 makes the departments concerned and those directly responsible, not the mentally retarded themselves, the principal enforcers of the law. When a marriage registration agency or any pertinent department fails to prevent reproduction by a mentally retarded person, or allows the mentally retarded to marry before they are sterilized, or allows them to register for marriage fraudulently, it shall be deemed as having broken the law and shall be held legally liable.

## AGRICULTURE

### Principles To Consider in Reform of Rural Cooperative Movement

40060363 Chongqing GAIGE [REFORM] in Chinese  
No 1, 20 Jan 89 pp 102-108

[Article by Guo Shutian 6753 2579 3944 and Zhang Hongyu 1728 4767 1342: "Direction, Principles, and Changes in the Cooperative Movement"]

#### [Excerpts] Current Stage of Cooperative Economy: Retrogression or Pioneering?

The proposal to renovate the cooperative economy is in accord with the following basic principles:

1. After implementing the rural output-related system of contracted responsibility and separating government administration and commune management, the village-township group system was quickly restored and developed, while organization according to economic functions lost its sanction after the disintegration of the "people's communes." Several years of household management practice continues to show its inherent limitations. This is very true for regions in the midwest, where overall rural production forces are undeveloped, and socialized service systems are extremely poor and imperfect. Therefore, many peasants still feel that "collectivizing" a bit can help solve some practical problems.
2. All in all, the cooperative movement in China is several dozen years old. It has raised a group of wide-eyed "people's commune-style" cadres used to taking orders from those in power and using "politics" to handle economic affairs. Their ideological quality and vocational abilities have not been renewed in line with the commodity economy's development. And now, as there is a need to cooperate, they immediately think of past organizational models and methods. Moreover, these kinds of recreated organizations are often termed "cooperatives." They depend on extended mobilized administrative power organizations, causing new rural economic organizations to revive the old dangers of past "collectives."
3. It is noteworthy that after 1985, there was once again an overall "shortage" of grain, the main agricultural commodity, to strengthen the impetus of "cooperation." The enormous pressure of the "shortage" of such an agricultural commodity plus the demands of hyperinflation made the government fall back into the dilemma of restoring the government monopoly on purchasing and marketing while deepening the results of reform. Today, where the commodity economy deeply enters into every level of economic affairs, problems will result from attempting to turn contract purchases into state quota purchasing. At this time, it is very easy for every level of the government to cherish the memory of past reliance on the state monopoly on purchasing and marketing under the "collective economy."

4. Merely shattering the "ideal" of the public ownership system of "first big, and second, publicly owned," is enough to make certain people suspicious about the present deep rural economic reform. Many feel that after establishing the main body of management by agricultural households in rural reform, collective property which should be divided up in the majority of regions has been divided up. At most, the remaining collective economy is a "sham" position for land ownership. Thus, suspicions about whether the collective economy actually still exists, and therefore, whether there are elements of socialist public ownership, compels them to use socialist collective economics (collectives) to recapture the main battleground in rural economics.

Therefore, in the end, the issue of whether the reestablishment of rural economic organizations is retrogression or pioneering will force people to explore the differences between the new-style cooperative economy and the old one.

1. The bases for cooperation differ. The direction of cooperation in the past was first of all political, and then economic. In today's cooperation, we should proceed to look at questions from the basic principle of "mutual benefits." There is no need for cooperation if there is no economic demand, or if the partners in cooperation cannot get what each needs through "mutual benefit."
2. The organizational principles for cooperation differ. In the past, cooperation was basically through administrative measures. The "equality" principle of avoiding differences between rich and poor brought about the situation of common "poverty." The organizational principles of cooperation today should be to allow differences to develop, to allow members to enjoy "freer" mentality, rights, and interests. Cooperative organizations themselves should continue to correct their organizational principles in line with economic development.
3. Ownership differs. In the past, the cooperative movement essentially was collectivization with unitary public ownership of the means of production. Today, cooperation can be set up on the basis of "public" or "private" property, or on a combination of both. So today's cooperation ownership system is a mix of complex components.
4. The organizational formats of cooperation differ. During the former period of people's communes, rural organizations nationwide were of a rigid, unitary "three levels of ownership based on the brigade" type. Today's cooperation can be multisided. In all cases, it should be natural that the cooperating parties make their own decisions, provided that they adhere to the basic principle of cooperation.

### Reestablishment of Rural Economic Organizations: Policy Choices

The proposition of organizational reestablishment involves two matters. One, what type of organization should be chosen for the rural economy as an intermediary between economic self-containment and a commodity economy; and two, how to induce the peasants to choose a certain organization.

The deeply ingrained teaching etched in our minds after several dozen years of China's rural cooperative movement is that any alteration of production relationships cannot go beyond the growth of productivity. Likewise, it cannot exceed the people's ability to mentally accept it. This is how we should revive rural economic organizations.

Generally speaking, the commodity economy and non-agricultural industries are comparatively developed in eastern coastal developed areas and in some suburban areas. The peasants' organizational awareness and degree of organization are also relatively high. In particular, the quality of the peasants themselves is rather good. Yet, at the present stage, business is all the more risky because of fierce competition, putting new demands on strengthening social services. Furthermore, people seek even larger scale returns through cooperation in order to lower costs and increase income. Therefore, the peasants have an awareness of cooperation. In central areas, the percentage of nonagricultural industries and service labor forces is really low. The business of production has no choice but to revolve around land. As for the peasants, it is all the more important to provide such things as water conservancy, crop protection, markets, and basic social services. Rural committees (the key is having specialized economic capabilities) or various service organizations and specialized service households among the people are sufficiently qualified for this. Undeveloped areas still are basically in the stage of economic self-containment. They lack the environment to engage in a commodity economy. The double poverty of the natural and social ecology makes the peasants most hopeful that the stability of the household contracted management responsibility system will not change. The cooperation they need is still in the early stage of reliance on blood relationships and mutual benefit between close neighbors.

To summarize briefly, the basic principles for choosing rural economic organizations are:

1. Where conditions permit, we should recognize the appearance of many types of economic organizations in the development of the rural economy. We should give these organizations, which are advantageous to economic

development, great support, ensuring that they take a healthy development route.

2. Regarding cooperative economic organizations that are already set up and have operational, administrative, and service capabilities, we should recognize them as interim types that have to exist and are practical. We should praise and support the cooperative organizations that are already set up and actually existing in the present stage of rural productive force development.

3. As for the empty shells of organizations that are not in accord with facts and call themselves "cooperatives," but have no operational, administrative, and service capabilities, we should first investigate from above and second increase the peasants' responsibility in seeking bases. We should firmly eliminate them.

The second issue requiring an answer is how to lead the peasants to choose organizations. Correct leading of the peasants requires a basic change of models reflecting the peasants' attitudes, behavior, and qualities to stimulate them to enter organizations. However, we must admit that the peasants will make their own choices under their assumption of how much social and natural resources they can obtain, and how much risk and returns they can undertake according to their own abilities to judge.

We must respect the choices made by the peasants themselves.

1. The development of a commodity economy and the growth of market mechanisms influence peasant behavior from the market factors of production, circulation, consumption, and distribution. Multilevel operational types, goals, matters of business, and technology constitute an intricate economic scene. So for each unit in the operation, a key to choosing a certain organization in the fluctuating market environment is to make one's own economic demands the main goal of organizational choice.

2. The choice must make the peasants stay within the mighty torrent of the commodity economy, master the functioning of market mechanisms, seek the best production and operating methods, and obtain economic returns through "organizing." Thus, what we are looking for in the choice of organizations is to break down the closed nature of socialized services operated by households under imperfect conditions, to change the method of deployment and scale of production factors, to fully utilize social and natural resources, and also to realize a new organization of production factors based on household management.

3. The market is a new "purgatory" for peasants. The three important factors of land, production forces, and capital are intimately and inseparably related to the market. Relying on the market to determine the direction of organization is the only "knack" to the maintenance and development of economic organizations. We must make feasibility studies of the following to draw up such market-based plans:

—The degree to which the potential assets of organizational members (land, production forces, capital, technology, public relations) can be used.

—The degree and potential of production and operational commodity demands by local markets and the scope of larger markets within a certain radius.

—Ways and channels for realizing commodity value.

4. Organizations themselves inherently attract. The direction of organizing for the uniform interests of individuals, others, and even on the basis of society as a whole, is a guarantee of the healthy development of organizations. At the same time, when individual and social interests mutually coincide with the organization, this will make sure organizations have enough inherent stimuli. It will also arouse the vitality of producers by allowing them to make their own choices. The peasants will get excited about becoming rich only when they themselves participate in these organizational choices and clearly see the goals by repeated thinking and accepting the challenges. Then they will have the spirit of devoting themselves to manifesting their choices.

## CENTRAL-SOUTH REGION

### Guangdong's Clean Government Education Campaign 'Absolutely Necessary'

40050270 Beijing LIAOWANG [OUTLOOK] in Chinese No 3, 16 Jan 89 pp 10-11

[Article by Zheng Qingdong 6774 1987 2639 and Zhang Cailong 1728 2088 7893: "An Act Supported by the People: Guangdong Province Launches Clean Government Education Campaign"]

[Text] The Guangdong provincial party committee and the provincial government launched a discipline education campaign in August 1988 for cadres of party and government organizations at and above the town and township level (including basic-level law enforcement departments, administrative departments, and public utilities units). The 6-month campaign is aimed mainly at maintaining the ethical integrity of the party and government cadres.

#### Government Integrity Must Be Maintained

Guangdong Province is leading the way in reforms and opening up to the outside world. In the past few years, it has blazed a faster and more efficient new trail for economic development. Production growth is among the highest in China. Markets are prosperous and stable. The people's living standards have improved considerably.

At the same time, problems have cropped up in society, government, and the building of a spiritual civilization. Dishonesty among party and government cadres has grown to a rather serious degree. Negative examples of this kind are often reported in the newspapers, creating a bad impression in the whole province and even the whole country and abroad. It is learned that dishonesty among party and government personnel is manifest mainly in five ways:

**Graft and taking bribes.** Some party and government personnel, unable to withstand material temptations, have embarked on a road of lawbreaking and crime.

**Blackmailing and extortion by law enforcement personnel.** Some personnel of basic-level law enforcement and administrative departments and public utilities units, taking advantage of their position and power, are engaged in rather blatant blackmail and extortion.

**Using power to seek personal gain and other unhealthy practices.** From 1979 to 1987, 111 party member cadres at and above the county and department level were punished for using their power to seek personal gain and engaging in seriously unethical practices. They violated the law and discipline in pursuing their own selfish interests in housing construction and distribution, recruitment of new workers and transfer of cadres, promotions, and helping relatives and friends change from rural residence registration to urban residence

registration, get jobs, study abroad, open businesses to make money, and so forth. Some leading cadres spent tens of thousands of yuan in public funds for expensive improvements on their own housing. To send their children to study abroad, some did not hesitate to curry favor with foreign businessmen, even at the expense of national interests.

**Ostentation and extravagance.** Extravagance and waste were very serious in some places and units, which squandered public funds for entertaining, gifts, and excessive eating and drinking.

**Degeneration and dissolution.** According to incomplete statistics, several hundred party member cadres were caught visiting prostitutes in Guangdong Province in the past 2 years.

The leadership of the provincial party committee and provincial government recognize that the dishonesty and corruption among party and government cadres have seriously tarnished the images of party and state organs, corrupted the party style and social atmosphere, discredited the reforms, caused strong resentment among the masses, and made the reforms more difficult. If the trend is allowed to spread unchecked, the consequences would be too dreadful to contemplate. The clean government education campaign is absolutely necessary and brooks no delay.

#### Increasing Understanding by Strengthening Education

Some cadres had doubts and misgivings about the discipline education campaign launched by the provincial party committee and provincial government and aimed at maintaining the integrity of party and government organizations. They were afraid that they would offend people if they took the campaign seriously. Even more people lacked confidence. They felt that public morality is getting worse and that bad old practices die hard.

In view of the situation, the provincial party committee and provincial government guided the people to see the importance of maintaining the integrity of party and government organizations from the nature and position of the party and government and from the historical lessons in the overthrow of the past dynasties and the Kuomintang reactionaries; to see the urgency of keeping the party and government organizations honest from the way some party members and cadres have been corrupted since the beginning of the reforms and opening to the outside world in Guangdong and from the targets set by the central authorities for Guangdong in carrying out reforms and opening to the outside world on an experimental basis; and to see the necessity of cleaning up the party and government organizations from the corrupt and bad practices now existing in them.

After a common understanding had been achieved, they began to take effective steps to maintain the integrity of party and government organizations.

First, starting with the leading organs, leading party and government cadres were asked to set an example of honesty in performing their official duties and to cultivate a new style of "honesty, service, and efficiency."

Second, all party and government organizations were required to adopt measures to maintain integrity. All units and places have drawn up rules, and some have been put into effect. Many departments and units have made their working procedures known to the public and have increased the channels for supervision by the masses. Quite a number of organizations have set up reporting centers to handle reports from the masses on cadres violating the law and discipline. Recently the NANFANG RIBAO publicly exposed Chen Guohui, deputy secretary of the Guangzhou municipal foreign trade bureau party committee, for using his power to pursue selfish interests in personnel matters and for lack of integrity in related units. The report strengthened the supervisory role of the media and was well received by the city's residents.

Third, violations of discipline by cadres were investigated and handled seriously. While conducting education, many units and places encouraged people to expose cases and problems of dishonesty, which served as the basis for further investigation and handling. According to statistics, since the beginning of the discipline education campaign, nearly 1,000 cases have been exposed and investigated in this way.

Fourth, the discipline education was combined with improving the economic environment and rectifying the economic order. They made it clear that the discipline education with honesty as its main theme is completely in keeping with improving the economic environment and rectifying the economic order, and that the tendency to regard the two as opposed to each other and to substitute the latter for the former must be prevented. During the education campaign, a number of "official profiteering" cases were investigated and handled in the province, which had a strong impact on the work to improve the economic environment and rectify the economic order.

#### **Simultaneous Education and Rectification Beginning To Show Results**

Although Guangdong's clean government education campaign has been going on only for a short period, it is beginning to show results, thanks to sound and practical measures, firm determination, and efforts of various places to conduct education simultaneously with rectification and to translate ethical integrity into actions. It is learned that through the current clean government education campaign, party members and cadres have generally increased their understanding of the importance of maintaining the integrity of party and government organizations, and their confidence to keep the government clean is growing. Now, fewer party members and cadres in party and government organizations are preoccupied

with dinner parties and gifts, and more are doing things honestly. A political atmosphere of honesty and discipline has begun to develop in many units. According to incomplete statistics, since the beginning of the discipline education, more than 10,000 party and government personnel in Guangdong Province have refused to accept bribes and gifts totaling more than 2 million yuan and \$500,000 (Hong Kong dollars).

In the past, many units spent a lot of money to put on an extravagant show whenever there was a meeting, foundation laying, inauguration, opening, memorial, and so forth. Now, they mark these occasions according to the principle of economy and simplicity. Some meetings, originally planned to be held in hotels, were held in the units' own guest houses. Some celebrations, originally planned as banquets, were changed to tea parties. For example, the Guangdong Returned Overseas Chinese Association originally planned to hold a provincial returned overseas Chinese congress at the Guangzhou Hotel, but later held it at the Machinery and Electrical Building, cutting expenses by 50,000-60,000 yuan.

The guiding principle issued by the central authorities for improving the economic environment and rectifying the economic order is being implemented conscientiously in all places from the provincial to the county level. In coordination with the clean government education campaign, they have organized price inspections and strengthened market-price control, and state-owned businesses have voluntarily reduced prices and profits. Prices have gradually stabilized since early November, and the prices of some goods have begun to drop. At the same time, some places and units have also started to liquidate or consolidate party- and government-run companies.

In the education campaign, the sense of democratic supervision has also been greatly enhanced among party members, cadres, and the masses. It is reported that during this period the supervisory departments in various places have generally received an increasing number of letters from the masses, and the problems exposed in these letters cover many areas and are based on accurate facts.

Through the education campaign, a number of good typical examples of honesty have emerged in the province. Members of the leading group of the provincial people's court have set strict demands on themselves, made a clear distinction between public and private interests, and enforced the law without personal considerations. By being honest in performing their official duties, they have set an example for the court personnel, and the entire court is now filled with a clean and honest spirit. Members of the leading group of the provincial commodity supply company have set an example in being honest in performing their official duties, conscientiously followed the relevant regulations, and resisted unhealthy tendencies. "Though standing at water's edge, their shoes never get wet." They have great power over



commodity supplies, but they have never approved commodity sales at state prices because of personal relations. Some people tried to bribe them, but were always rejected. Under their leadership, doing business honestly and refusing to accept gifts have become common practice in the company. According to statistics, since 1986, 210 employees of the company have refused, returned, or turned over to the company more than 20,000 yuan in cash gifts and 36 other presents. During the current education campaign, the company has set still stricter demands on itself and has made new progress, for which it has been widely praised.

The current discipline education campaign in Guangdong Province has three objectives: 1) through education to help all party members and staff members of party and government organizations strengthen their sense of discipline and increase their consciousness of the necessity to observe discipline and the law, so that they will strictly abide by the law and discipline and not take bribes and violate the law, honestly perform their duties and not use their powers to seek personal gain, and retain the spirit of hard work and plain living and not be extravagant and wasteful; 2) through education to effectively solve the existing problems of dishonesty and discipline violations; and 3) through education to widely establish relevant rules and regulations for maintaining the integrity of party and government organizations. It now seems that some of the objectives have been basically achieved.

In summing up the work so far, the provincial party committee recognizes that achievements in the current education campaign should not be overestimated, and that it should be acknowledged that there are still problems and inadequacies. For example, the leadership in some places and in a few units is not taking the education campaign seriously, not paying close attention to it, or just paying lip service to it. The problems of dishonesty in some party and government organizations have not been fully exposed. A few units and individuals even continue to be dishonest in defiance of party and government discipline, creating a very bad impression among the people. Therefore, continued efforts must be made to keep the government clean.

## SOUTHWEST REGION

### Understanding Yunnan's National Minority Development Problems

40050206 Kunming SIXIANG ZHANXIAN  
[IDEOLOGICAL FRONT] in Chinese  
No 6, 24 Dec 88 pp 15-19

[Article by Ma Weiliang 7456 4850 5328: Analysis of the Special Nature of the Yunnan Nationalities Issue“]

[Text] Understanding of the peculiarities of the nationalities issue in Yunnan Province during the preliminary stage of socialism requires, I believe, a grasp of three fundamental situations: First is that tremendous changes

of a historical nature have taken place among each of the nationalities and in each of the nationality areas in the 39 years since liberation. No matter what the stage of their social development, there have been varying degrees of success in production and in building of the economy and culture of all minority areas as a result of the development of production, democratic reforms, and the cooperativization of agriculture. Both production relationships and the class structure have undergone fundamental changes. Second, the long-term effect of leftist ideological lines and policies pursued from the late 1950's until just before the 3d plenum of the 11th Party Central Committee, and particularly a series of actions taken by Lin Biao and the "gang of four" that set the clock backward on nationalities issues in minorities areas, such as relentlessly reforming production relationships, making forced transitions, practicing artificial "merging of nationalities," and wiping out religion, etc., without regard for the different stages of social development of individual nationalities when developing social productivity to the full, intensified the natural, social, and racial isolation of minority nationality areas. These actions also put stumbling blocks in the way of the development of productivity, and stifled both social divisions of labors and basic factors needed for development of a commodity economy. As a result, development in some minority areas went in reverse, and new barriers to ethnic understanding were created. Third, following the 3d plenum of the 11th Party Central Committee, a series of plans and policies for reform, opening to the outside world, vigorous development of social productivity and of a socialist planned commodity economy, expansion of autonomy in autonomous nationality areas, providing proper support to nationalities areas, and the launching of economic and technical cooperation spurred productivity and the rapid development of social divisions of labor in nationality areas, brought political and economic vitality to nationality areas, increased contacts among different nationalities, and promoted the development of socialist racial relations. However, numerous new situations and new problems arose in race relations and on nationalities issues under the new circumstances.

### (1) Minority Nationality Areas Remain at a Low Level in Development of Productivity

China as a whole developed socialism out of a semicolonial, semifeudal lineage, but many of the minority nationalities in Yunnan Province had to be raised from an even lower social state to develop socialism: the late stage of primitive communism, a slave system, or a feudal lord system. Their level of social productivity was very low, and this state of affairs has yet to be fundamentally changed. This shows up in the following ways: First, productive labor methods are antiquated. Most minority nationalities are concentrated in border areas or inland mountain regions, where the basic modes of production are slash-and-burn agriculture and alternate cultivation and fallow (or nomadic) farming, production techniques that require the planting of large areas for

small harvests. Except for nationalities such as the Bai and the Hui, who live on flatlands and in river valleys and who practice intensive cultivation that produces fairly high yields, and who have begun some mechanized farming and electrically powered irrigation and drainage, most areas continue natural economies in which they use the traditional two oxen and humans carrying loads on stout poles, hand tools, and rather nonintensive farming methods. Second, agricultural commodity rates are low. Except for a few minority nationality areas in the province that have developed commodity economies to a certain extent, there are a large number of nationalities who practice undiversified agricultural and pastoral production primarily for self-sufficiency. In addition, transportation is not readily available, conditions for exchange are lacking, commercial activity being generally held in very low esteem. Among some nationalities, a commodity economy is just beginning to sprout with the appearance of the first small retailers, and the first basic level markets. Third, in very many minority nationality areas, the social division of labor is very undeveloped; these areas have a basically undiversified agricultural and pastoral economic structure with more than 90 percent of the work force tied to agriculture. Handicraft industries are relatively scarce, and township and town enterprises have just begun to appear. In inland flatland areas, very great development of township and town enterprises has occurred among minority nationalities, but most are traditional handicraft industries, things produced by modern machines are lacking. Fourth, natural resources are extremely plentiful in minority nationality areas, but, for technical and financial reasons, they have been little developed. Many needy areas hold out a golden rice bowl to ask for food, unable to convert their advantages in natural resources into product or commodity economy advantages. Fifth, the educational level in minority areas is low, people educated in science and technology are rare indeed. The illiteracy rate for minority nationality adults province-wide is higher than 50 percent, much higher than for the province or the country as a whole. Except for the Hui, the Bai, and the Naxi peoples, whose illiteracy rate is lower than for the Han nationality, for others, including the Lahu, Yao, Miao, De'ang, Blang, Hani, Va, and Nu, the illiteracy rate for the population above 12 years of age is two-thirds. Among the Lahu, it is more than 80 percent.

## **(2) Conspicuously Uneven Development Among and Within Nationalities**

All Yunnan Province is a very mountainous region, mountains accounting for 94 percent of the province's total area, and the mountain region population amounting to 66.5 percent of the province's total agricultural population. Most of the minority nationalities live in mountain regions. For historical and natural reasons, productivity in minority nationality societies is extremely backward, remaining largely in a natural economic state, while social, economic, and cultural development may be extremely uneven between one area and

another, between one nationality and another, and even within a single nationality. Despite the tremendous changes in every nationality as a result of more than 30 years of development since liberation, this imbalance remains very conspicuous.

First of all, development is unbalanced between one nationality and another and between one area and another. Statistics for 1984 show that minority nationality areas accounted for more than one-half of the province's 5,600-odd impoverished townships, and of its more than 12 million people. Today, there are still 4 million people who do not have enough to eat or wear. In Nujiang Lisu Autonomous Prefecture, which is located in a border region, 91.72 percent of the population is of minority nationality, and 76 percent of the townships in the prefecture are needy townships in terms of the national definition of a needy area. In Yunnan Province, per capita income is half that for the country as a whole, and minority nationality income is lower than the per capita total for the whole province. Statistics for 1984 show a provincewide per capita gross output value for agriculture of 543 yuan, and a net per capita income of 310 yuan. For minority nationality autonomous areas, however, the per capita gross output value for agriculture was only 340 yuan, and net per capita income was 155 yuan, only half that for the country as a whole. Impoverished minority nationality households in some high and frigid mountain regions do not even have a good wadded quilt, and they have inadequate clothing and little to eat. They have to burn a fire all day long to keep warm, and they satisfy their hunger with potatoes and edible wild plants. Even within the same autonomous prefecture, there are rather pronounced differences between one area and another. An example is the 13 counties that make up the Honghe Hani-Yi Autonomous Prefecture. In this prefecture, Luchun, Jinping, Honghe, Pingbian Miao, Hekou Yao, and Yuanyang counties in the border region accounted for 34.5 percent of the population but only 16.9 percent of the prefecture's total industrial and agricultural output value in 1985. However, financial expenditures here accounted for 38.3 percent of the total for the prefecture. Net rural income for the whole prefecture was 225 yuan, but only 153 yuan for the six border region counties of the prefecture. In 1984, these counties had a gross income from agriculture of 117.88 million yuan, 68.25 percent of which derived from farming; however, an overwhelming majority of it was grain income.

Such unevenness in development not only contrasts strikingly with development in Han nationality areas nationwide and provincewide, but differences are also rather marked between one nationality and another, from the Bai, Hui, and Naxi whose development is close to that of the Han nationality, to the extremely economically and culturally backward Derung, Nu, Jino, Va, and Jingpo peoples among whom differences are marked in all regards. In production, slash-and-burn agriculture, nomadic farming, plowing with oxen and hand hoeing,

electrically powered drainage and irrigation, and cultivation using tractors exist side by side. In the movement of commodities, the budding of commodity production, primitive barter, early-stage markets, and a fairly well-developed commodity economy and modern commercial networks exist simultaneously. Forms of marriage include monogamy, communal households, matriarchal and patriarchal families, and modern families existing side by side. In the area of religion, Marxist atheism, systematic belief in spirits, Buddhism, Islam, Christianity, and primitive polytheism exist side by side. In the field of education, knowledge is passed along in Burmese temples, Buddhist monasteries, and in mosques, as well as in modern middle and primary schools, and institutions of higher education. The recording of events in wood carvings and widespread illiteracy exist alongside graduates from regular schools and modern printed publications. In interpersonal relations, remnants of slave system ethics, feudal and capitalist ideology and moral concepts exist side by side with socialist racial equality, comradeship, and socialist morality.

Second is the unevenness of development within nationalities. Unevenness in internal development exists among all nationalities. For example, among the Yi people, who constitute the largest ethnic majority in Yunnan Province, unevenness of development among tribes in different areas is also conspicuous. In flatland and semimountainous areas with relatively good water conservancy conditions such as Yuxi and Chuxiong, not only do the Yi people produce high grain yields, but economic diversification, the growing of cash crops, and a commodity economy have developed to a certain extent. Earnings are fairly high and they enjoy a fairly well-off standard of living. By contrast, at Xiaolang Shan in Ninglang Yi Autonomous County, which had been a slave society, and in the high and frigid mountain region of Xiping Yi-Dai Autonomous County where the Shansu and other tribes live, primitive agriculture has been retained for the most part. Corn and potatoes are grown, and some tribes do not even grow corn. They live off the potatoes and the buckwheat they grow, and their standard of living is below the poverty line. Among the more economically and culturally advanced Bai, Hui, and Naxi peoples in the province, uneven development is also conspicuous. An example is the Bai people living in Dali City on the shores of Erhai, where both commerce and transportation are developed, and the Bai people living in the western mountain regions of Jianchuan County, who still have a closed self-sufficiency economy. More noteworthy is the Lemai tribe of the Bai people who live in Nujiang Lisu Autonomous Prefecture. This tribe still practices slash-and-burn farming and alternate cultivation and fallow, and it retains numerous relics of primitive practices. The Naxi nationality, who live in the flatlands of Lijiang Naxi Autonomous County, and the Mosuo tribe of the Naxi nationality, who live in Ninglang Yi Autonomous Prefecture, and the Naxi people who live in Zhongdian and Weixi Counties show rather great variations in both their production and way of life. The Hui people, who have always been good

at business and who have a developed commodity economy, are scattered throughout the province, but most of them live along city and town transportation arteries. Located in flatland areas where water conservancy conditions are better than elsewhere, their commodity economy is fairly well developed. However, some Hui live in the Wuding Shan and Xundian Shan regions of Nanhua County, and some live in the foothills of Habaxue Shan on the Diqing Plateau in the border region where, like the surrounding peoples, they have a closed natural economy, their production and livelihood is more difficult than elsewhere, and they live below the poverty line in some places.

Third is new imbalances occurring in development. Following the 3d plenum of the 11th Party Central Committee, minority nationality border regions have progressed greatly in building their economies and culture around development of commodity economies. However, since minority nationality areas have little accumulated wealth, and must start from a low level, their speed of development has been lower than that of inland areas throughout the province. New disparities have appeared that are tending to become greater and greater. From 1981 through 1985, the industrial and agricultural gross output value rate of growth in 35 border region counties was 55.1 percent, much lower than the 72.1 percent growth rate for the inland growth rate throughout the province. The difference in per capita industrial and agricultural gross output value for border region areas versus inland areas increased from 230 yuan versus 416 yuan, a 44.7 percent difference, to 329 yuan versus 658 yuan, a 50 percent difference. The difference was even greater for the people of the Lisu, Durong, Nu, Jingpo, and Va nationalities who live in mountain areas of the border and whose starting point was even lower. Take, for example, Sixian County, Lancang Lahu Autonomous County, Ximeng Va Autonomous County in Nujiang Lisu Autonomous Prefecture, and part of the mountain region of Dehong Dai-Jingpo Autonomous Prefecture. Here per capita industrial and agricultural output value increased 82 percent between 1980 and 1985; nevertheless, because of the low starting point, per capita industrial and agricultural output value was only 258 yuan in 1986, and the difference with inland areas increased from 266 yuan to 400 yuan. This increasing disparity is a new situation and a new problem that has cropped up in development.

### (3) Fairly Numerous Vestiges Inherited From History

After more than 30 years of development, all the minority nationalities in the province have their own college graduates and a number of new intellectuals who have been trained in Marxist ideology and socialist ethics. This has advanced the building of racial equality and unity, and a spirit of racial self-confidence, self-support, and self-improvement. Reform of numerous outmoded conventions and bad customs within races and the emergence and building of new socialist ideological and ethical concepts have produced tremendous changes in

the mental outlook of minority peoples. Nevertheless, because of the low level of productivity and unbalanced development, plus the effects of leftism, and failure to make changes in the old superstructure that all societies inherited, as well as the mistake of regarding primitive communist ideology, ethics, and egalitarianism as the starting point for building socialist communist ideology and ethics, the old vestiges have become more entrenched. Consequently there are fairly numerous inherited historical vestiges at every stage of social development, which are particularly pronounced in peoples who are developing slowly. Some ideological concepts that are fairly prevalent among minority peoples are as follows: 1) Primitive communist concepts and egalitarianism such as exists in mountain villages occupied by the Kucong people of the Jino and Lahu nationalities, whereby everyone in a village is entitled to a portion of any wild animal that has been brought down; the Va nationality custom of dividing up the meat of rustled cattle; and the custom of many nationalities whereby "the whole family comes to eat whenever a family slaughters a hog," and "everyone drinks when wine is available, and everyone eats when food is available." 2) Clan-based blood lineage, the habit of marrying close relatives, so-called "blood is thicker than water, so cement ties by marrying relatives," pile one relative on top of another, same clan and same tribe, as well as "many children and grandchildren mean much happiness" with regard to bearing children. Closed minds and conservative thinking, contentment with the status quo, no pioneering spirit, holding commerce in low esteem, and "who cares about money so long as the belly is full." 3) Feudal superstitions and taboos, fatalistic thinking, etc. These notions seriously impede minority area social production, and economic and cultural development.

**(4) Conflicts Having To Do With Race Relations and Racial Issues Centering Around Economic Interests Are Simultaneously Reflected in Political, Cultural, and Ideological Outlook**

After Yunnan's minority nationalities entered the preliminary stage of socialism, with minority area reform and opening to the outside world, and the launching of the four modernizations centering on building the economy, such as the development and use of mountain forests, water conservancy facilities, land, mines, and pasturelands, as well as running businesses, or even setting up stalls or sales outlet points and taking over favorable land for markets, conflicts among nationalities about economic interests occurred easily. According to provincial department of forestry statistics, in 1982 alone, following state implementation of the three fixed policies in forestry, nearly 200,000 cases involving mountain forests arose, and even fights with weapons in which some people were killed took place. There were also quite a few racial disputes having to do with developing mines to become rich. These contradictions among nationalities frequently reflected the following: Real economic interests were intertwined with historical racial animosities, thereby intensifying the conflicts.

Examples occurred in Luquan, Anning and Lunan Counties, which are under the jurisdiction of Kunming City. In 1984, several conflicts over land, mountain forests, and mines occurred, most of them having to do with relations between peasants of Miao nationality and peasants of Han nationality. Some members of the Han nationality tried to take back land apportioned to the Miao nationality during land reform on the grounds that it was land "inherited from ancestors" prior to land reform. During the dispute, both sides discriminated against each other and the Miao people's language was insulted, and economic interests thereby became intertwined with racial animosities, complicating the issue further. Second, racial issues are frequently wrongly reflected in minority area state-owned enterprises, Han nationality cadres handling matters in ways that conflict with the interests of the local people. They are also reflected in conflicts over economic interests between different tribes of the same nationality. Problems frequently crop up in areas where counties, prefectures, and provinces adjoin each other, with conflicts occurring among different nationalities, and within a single nationality over who has jurisdiction over mountain forests, water conservancy facilities, and pasturelands that straddle province, prefecture, or county boundaries.

In addition, an intensification of racial consciousness and awareness has accompanied minority nationality political, economic, and cultural development. There has also been a strengthening of a spirit of national self-support and self-reliance among minority nationality masses and cadres that has gone from the gratitude of the period immediately following liberation to concern for the political status of the local nationality, and the rights of nationalities. For example, there is concern about whether there are minority nationality or local nationality cadres in the province, prefectures, autonomous prefectures, and counties. In one example, a few score minority cadres jointly signed a statement asking the Yunnan Nationality Affairs Commission to include cadres of its nationality. There is also intense demand for greater assertion of racial identity and an intense demand for compulsory use of the local nationality language, as well as for encouraging and respecting national culture, and national customs and habits.

How to proceed from the realities of minority nationality areas to implementation of state policies and laws such as planned parenthood is a problem as reforms deepen. This is a basic national policy that all nationalities have to carry out. However, the realities of minority nationalities are frequently not taken into consideration in some areas. Instead, there is arbitrary uniformity, or even coercion is used, an offender's oxen or horses being taken away when the number of births allowed is exceeded. This arouses resentment among the minorities and intensifies racial conflicts. Additionally, some plants, mines, and enterprises rejected the poorly educated minority peoples when reforming the execution of contracts. This aroused minority nationality complaints to higher authorities on the grounds that the Han nationality was targeting minority nationalities.

**(5) Interweaving of Nationalities Issues and Religious Issues Complicate Nationalities Issues**

All the minority nationalities in Yunnan Province have religious beliefs, including Buddhism, Islam, Christianity, Daoism, and primitive polytheism. In particular, virtually all the Hui, Tibetans, and Dai people believe in Islam, Lamaism, or Hinayana Buddhism. A correct understanding of the religious beliefs of the minority peoples during the preliminary stage of socialism requires study of the following: First, the interrelationship between race and religion. We have to realize that religion is a kind of idealism that frequently became a tool on which the ruling class relied to maintain their rule under the system of exploitation, and "religion as the opiate of the people" also played a role. At the same time, we must also realize that in the spread of a religion among a people, only when the religion achieves a national identity and a local identity can it strike roots and develop. Islam, Lamaism, Hinayana Buddhism, and Christianity all went through this process in being transmitted to the minority peoples of Yunnan Province. Therefore, the religions of the minority peoples is bound to share a common character with the religions that various nationalities of the world believe in, while they also have special points, peculiarities, and a national character. In the process of attaining a national identity and a local identity, a religion is bound to become intertwined with the local people's history and culture, and gradually permeate each nationality's history, culture, national customs and habits, and state of mind. Thus, religion becomes a part of a minority nationality's history and culture. Religious issues and national issues are frequently intertwined and reflected in the form of nationality problems. I believe that only when one has a correct understanding of these two aspects of minority nationality religions can one be a complete historical materialist, avoid taking sides, and be genuinely able to overcome the source of leftist thinking on religious issues. Second, after more than 30 years of the development of socialism, especially democratic reform and socialist transformation within all nationalities, as well as reforms to eradicate feudal exploitation within religions, the social nature and the class nature of religions have undergone fundamental changes. In China, religion is no longer either a tool for class exploitation or wielded by the exploitive class. Religion is largely the belief of working people of all nationalities, and problems existing in and reflected by religion are mostly contradictions among the people. Of course, inasmuch as class struggle still exists, class struggle is also reflected in religious issues, but it is not the main issue. Despite the fundamental change in the social nature of religion, real roots keep religion alive. Here, however, the only issues of concern are how religion can be harmonized with socialism, whether some of the precepts and ethics of minority nationality religious faiths can play a positive role in real life, and how to put the patriotism of top-level religious personages and the mass of religious believers into the service of socialism.

**(6) Nationalities Problems Generated by Transborder Nationalities Living Under Different Social Systems and Influenced by Different Ideologies and Cultures**

Yunnan is a border province containing numerous nationalities. It is contiguous to Burma, Laos, and Vietnam, and more than 4 million minority nationalities live along a border that extends for more than 4,000 kilometers. Along most of this border there are no natural demarcation lines. The landscape is continuous, fields abut each other, and the crowing of roosters and the barking of dogs on one side of the border can be heard on the other. For historical reasons, the same nationality may live in two or even three countries on opposite sides of national boundaries, and pose racial problems. In Yunnan Province, 13 nationalities extend beyond the national boundary. For a long time, they have had intimate contact, and friendly neighborly relations with the same nationality in neighboring countries, marrying them, going to the same country markets, pasturing cattle, and farming with them. This has been beneficial for our opening of trade with the outside world, enlivening the economy, and for the emulation of each other's strong points and overcoming each other's weaknesses. An example is Dehong Dai-Jingpo Autonomous Prefecture's carrying on of border trade that expanded markets for people on both sides of the border, brought unprecedented vitality to border area country fair trade, and made markets flourish, thereby playing a positive role in the absorption of domestic and foreign capital and technical equipment, and vigorously developing the economy of Dehong Dai-Jingpo Autonomous Prefecture. However, because the same nationality lives in different countries under different social systems, the problem arises of whose social system, ideology, and culture influences whom. For example, Burma is a capitalist country in which Buddhism flourishes. With the opening to the outside world, degenerate capitalist and feudal pornographic culture, sound recordings and video recordings, as well as Buddhism and Christianity penetrated our borders and appealed to minority nationality youths. In addition, much of the struggle by various forces within Burma takes place on our border with Burma, including that carried out by Dan, Kachin, and Va nationality forces, and the contradictions and struggles between the Communist Party of Burma and the Burmese government. This complicates nationality problems on China's borders.

The special character of minority nationalities and nationality problems in Yunnan portrayed above shows a basic characteristic of Yunnan Province to be that of a border province having numerous nationalities, and that nationality problems are closely intertwined with border, mountain region, and religious issues. This shows the importance, the long-term nature, the complexity, and the strategic position of nationalities work during the preliminary stage of socialism. In Yunnan, nationalities work has a bearing on all work; disregard of the nationalities situation will cause problems. Since natural climatic conditions and the level of development of social

productivity in minority nationalities areas are poor, economic and cultural development are extremely uneven, and there are many historical vestiges, we must proceed from the reality that the starting point for productivity is low during the preliminary stage of socialism in minority nationality areas. It is more necessary to conduct a thorough investigation and study of policies and work style to provide tailored guidance fitted to the circumstances of different nationalities, and different kinds of areas, and to avoid at all costs "arbitrary" subjectivity and bureaucratism. A point of view should be established whereby the level of development of productivity is the standard, the fundamental task of socialism being development of socialist production. Development of economic diversification and various forms of distribution should be premised on a system of public ownership and distributions mostly according to work, with all economic components and administrative and management methods that contribute to the development of productivity being actively supported and developed. The natural economy and the lack of development of a social division of labor in minority areas has to be demolished, and the viewpoint must be established that development of a commodity economy is a stage of social development that no nationality can skip. Development of a commodity economy should be the key task, all old ideas and old traditions that get in the way of development of a commodity economy should be transformed, and all effective measures actively taken to encourage and support minority nationality peoples to

learn how to do business and develop handicraft industry production, township and town enterprises, and country fair trade. Only in this way can there be dynamism and vitality within every nationality and a starting point found for development to bring about the basic destruction of the natural isolation and social isolation of minority nationality areas. This is the only way to promote the rapid development of social divisions of labor and social productivity, and a complete political, economic, and cultural blossoming; and it is the only way to narrow the economic and cultural gap among all nationalities that has been inherited from history, and that is still widening. Then, after arduous struggle, it will be possible to catch up with or approach the level of development of advanced nationalities and advanced areas, and to realize real economic and cultural equality, and common prosperity among all nationalities. Certainly, this will be a long-term and daunting historical task throughout the stage of socialism, and its realization will require the efforts of several generations; however, the great development of all nationalities during the preliminary stage of socialism can lay a solid foundation for the realization of this historical task. Advances made in the rapid development of Shadian and Jino minority areas in the course of reform and opening to the outside world demonstrate that although the starting point may be low for minority nationality areas, the potential is great. So long as one is adept at proceeding from realities in minority nationality areas, uses the advantages that each area provides, takes firmly in hand the readjustment of the industrial structure, and develops a commodity economy, it is possible to promote rapid economic and cultural development

**Biodata on CPC Officials Luo Gan, Wu Shaozu, Wan Shaofen, Tao Siliang**  
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No 25, 15 Jan 89 pp 51-54

[Article by Yan Renlan 6056 1804 6031]

[Excerpts] **CCP Assigns Luo Gan, a Cadre Who Studied in Eastern Europe, as State Council Secretary-General**

On 29 December, Luo Gan [5012 1626], 53, officially assumed the post of State Council secretary-general, replacing Chen Junsheng [7115 0193 3932], 61. Luo is the third secretary-general in the past 5 years. Before Chen Junsheng, the post was held by Tian Jiyun [3944 4764 0061], 59, a third-generation cadre who had been personally fostered by Zhao Ziyang; Chen Junsheng, too, has enjoyed Zhao's trust.

Both Luo Gan and Wu Shaozu [0124 4801 4371], the newly appointed minister in charge of the State Physical Culture and Sports Commission, are third-generation cadres who have studied in the Soviet Union and Eastern Europe, which shows that Li Peng (who also studied in the Soviet Union) is putting this kind of cadre in important positions. This is nothing less than a new expansion in political circles of the political influence of cadres who have studied in the Soviet Union.

The Communist Party of China [CPC] has established a "tradition" with regard to State Council personnel to the effect that most secretaries-general have a status equivalent to that of a vice premier, their administrative rank is grade 3 or 4, and many secretaries-general concurrently serve as vice premiers or state councillors, as in the case of Xi Zhongxun [5045 0112 0534], Ji Pengfei [1213 7720 7378], Tian Jiyun, and Chen Junsheng.

Luo Gan is from Jinan in Shandong Province. In the 1950's, he studied at the Beijing Iron and Steel Engineering Institute. Before graduating, he was selected as a preparatory student for study in the Soviet Union and Eastern Europe, and was sent to the Karl Marx University of Leipzig, East Germany, to study German. In 1955, he was recommended for admission to East Germany's Freiberg Mining Institute for specialized study.

Luo Gan returned to Beijing in 1960 and subsequently worked as an engineer for several mines. In the late 1970's, the CPC promoted him to director of the First Ministry of Machine-Building Industry's Zhengzhou Machinery Scientific Research Institute.

In the 1980's, he rose rapidly in CPC political circles, serving first as director of the Henan Provincial Science and Technology Commission (vice-governor level) and subsequently being promoted to Henan vice governor and secretary of the CPC Henan Provincial Committee (equivalent to today's deputy secretary). In 1983 he was transferred to Beijing and served as vice president and secretary of the All-China Federation of Trade Unions,

taking actual charge of the federation under the guidance of Ni Zhifu [0242 1807 4395]. His move to the All-China Federation of Trade Unions may have been related to his work experience in mines in the 1960's. In April 1988, he was transferred by the CPC to the State Council to serve as minister of labor and personnel, in charge of labor affairs.

In 1988, Luo Gan became a member of the CPC Central Committee.

According to rumors in Beijing, Luo Gan is the son of a CPC senior cadre.

**Wu Shaozu, Political Commissar of the CPC Commission of Science, Technology, and Industry for National Defense, Takes Charge of State Physical Culture and Sports Commission**

On 29 December, Wu Shaozu, who had formerly studied in the Soviet Union, was appointed by the CPC as minister in charge of the State Physical Culture and Sports Commission. He is the son of a CPC senior cadre; his father, Wu Yunfu [0124 0061 3940] (1904-1967), was a veteran CPC intelligence official who served in the 1960's as an alternate member of the Standing Committee of the CPC Central Committee's Central Control Commission and vice minister of public health.

At 49, Wu Shaozu is the youngest minister among CPC and State Council cadres. A product of the Communist Youth League and related organizations, he was on good terms with Hu Yaobang and Hu Qili [5170 0796 4539]. He has served as president of the All-China Students' Federation, vice president of the All-China Youth Federation, and member of the central committee of the Communist Youth League. Throughout the 1980's, he was in charge of political work in the CPC's military industrial branch, serving as deputy political commissar of the Commission of Science, Technology, and Industry for National Defense under the CPC Central Military Commission, deputy political commissar of the State Council's National Defense Industry Office, and concurrent vice minister and political commissar of the Commission of Science, Technology, and Industry for National Defense. In October 1988, he was awarded the rank of major general.

When Wu replaced Li Menghua [2621 1125 5478], the CPC propaganda department announced that the latter had resigned due to old age (he was 66); actually, this was only one of the reasons. A more important reason was the poor showing by China's team at the Olympics, because of which Li had been under great pressure.

Li Ch'ing-hua [2621 1987 5478], Taipei Chinese Olympic Committee secretary-general, is reportedly under 40, and this is another reason that the CPC appointed Wu

Shaozu to take charge of the State Physical Culture and Sports Commission; the CPC hopes to strengthen the vitality of the commission by appointing a younger cadre. [passage omitted]

**Wan Shaofen Appointed Deputy Head of CPC United Front Work Department; Tao Zhu's Daughter Is Deputy Director of Sixth Bureau**

At the end of December, the CPC appointed Wan Shaofen [8001 4801 5358] as deputy head of the CPC United Front Work Department. She is the department's first female deputy head; for the past 40 years, all of the department heads—Li Weihan [2621 4850 3352], Xu Bing [1776 0393], Li Dazhang [2621 1129 4545], Wu Lanfu [3527 3695 1133], Yang Jingren [2799 7234 0088], and Yan Mingfu [7027 2494 1788]—have been men.

Wan Shaofen, 58, is also the first woman to serve as secretary of a provincial party committee. She is from Jiangxi, and in the late 1940's studied in the economics department of Nanchang Zhongzheng University. In the late 1970's, she rose rapidly in Jiangxi political circles, rising from chairman of the Jiangxi Provincial Womens' Federation to head of the organization department of the CPC Jiangxi provincial committee, and then rising again

to the position of secretary of the CPC Jiangxi provincial committee. In 1988 she was transferred to Beijing and served as secretary of the All-China Federation of Trade Unions, taking charge of the day-to-day work of the federation, but later, in a run-off election at the federation's plenary session, she was not elected to the central executive committee, and as a result could not resume her former post.

The CPC Central Committee's United Front Work Department, in addition to recently establishing a Fifth Bureau, has also added a Sixth Bureau responsible for intellectuals, of which Tao Siliang [7118 2448 0081], the daughter of Tao Zhu [7118 6999] and Ceng Zhi [2582 1807], has assumed the post of deputy director. She is a graduate of the Shanghai Second Medical College and worked for a time as a physician. Tao Zhu formerly served as a member of the Standing Committee of the CPC Central Committee's Politburo, member of the Secretariat of the CPC Central Committee, head of the Propaganda Department of the CPC Central Committee, and vice premier of the State Council, while Ceng Zhi formerly served as deputy head of the CPC Central Committee's organization department. [passage omitted]