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# ***JPRS Report***

# **China**

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## UNITED STATES

### U.S. Economic Strength Assessed

40050412 Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 4, 16 Feb 89 pp 10-11

[Article by Zhen Bingxi 3914 3521 4406]

[Text] Is the economic power of the United States really declining? As opinions vary, no decision can be reached. The author of this article believes that not only is the United States not declining, but moreover, it could recover its status as a creditor nation in the future.

The decline of U.S. economic power has become a hot topic in recent years, and in particular since publication of *The Rise and Fall of Nations* by Yale University history professor Paul Kennedy in 1988. *Many people feel that U.S. economic power is rapidly declining, and that continuing future decline is unavoidable.* However, *the author believes that not only is U.S. economic status not declining, but that falling further and further behind is not inevitable in the next several decades.*

This is based on the following several points:

1. *For the past 20-odd years, the major U.S. economic indicators have been relatively stable.* Certainly in the 20-odd years since World War II, the U.S. percentage of gross global output value has fallen swiftly, from the 40 to 45 percent of the 1940's and early 1950's to the 20 to 25 percent of the late 1960's. However, this figure has practically held steady until now. According to figures on the United States provided by an organization studying global economic competitiveness, from 1970 to 1987, the U.S. share of gross global output value was 22 to 25 percent; its share of global exports was 12 percent in 1970 and 10 percent in 1987. The U.S. share of global technology intensive commodity exports was 27.5 percent in 1965, falling to 22.9 percent in 1980, but reclaiming to 25.2 percent in 1985. In sum, in important respects, the U.S. share in global economic activities has been relatively stable for the past 20-odd years. *The U.S. early postwar share of global economic activities, almost 50 percent, was obviously a temporary result of the war. This fall from a 40- to 45-percent share to a 20- to 25-percent one was a change from an abnormal to a normal situation.* It occurred mainly in the 1960's. In the past quarter century, fluctuations in the U.S. percentage of global economic activities have been comparatively small, and there has been no obvious drop.

*There were noticeable improvements in the U.S. economic situation in the 1980's compared to other developed countries.* In the period 1965 to 1980, the United States ranked 18th among 19 developed countries in terms of economic growth rate; it jumped to 3rd place from 1980 to 1986. Japan showed the most obvious drop in economic growth rate. From 1980 to 1986, Japan's and the United States' average annual growth rates were 58.7 percent and 110.7 percent, respectively, of their 1965-80 growth rates. In

other words, in the first 6 years of the 1980's, Japan's average annual growth rate was only approximately one-half while the United States' was higher than that of the previous 15 years. In the 5-year period 1983-87, the U.S. average annual growth rate (3.84 percent) was faster than Japan's (3.82 percent), and even faster than the European Community's (2.5 percent).

Obviously, whether in terms of absolute or relative figures, the U.S. economy continues to expand.

2. *The main U.S. industrial sector—manufacturing—has been reviving in recent years.* After the economic crisis of the early 1980's, the U.S. manufacturing sector began to recover. The average annual growth rate of labor productivity in the U.S. manufacturing industry was slower than that of other developed countries at only 0.76 percent, but it was higher than any other developed country at 4.7 percent in the 1983-87 period. At the same time, employment opportunities in this sector increased. The employment figure was 21 million in 1979. It shrank to 18.4 million in 1983, but has now grown back to 19.5 million. In addition, the industry's average annual commodity exports have increased by double-digit figures since 1985. The U.S. manufacturing industry's commodity export share of the global total rose from 12.5 percent in 1985 to 15 percent in 1987, and it is expected to rise to 18 percent in 1989. Whether high-technology or traditional industries, both labor productivity and competitiveness of the U.S. manufacturing industry clearly improved. A private international study on the automobile industry showed that overall U.S. labor productivity in car plants is no longer behind Japan. The labor productivity growth rate in the U.S. textile industry rose more than 20 percent during the last several years, an industry growth rate faster than any other country in the world. Other U.S. manufacturing industries have consistently maintained relative superiority. Labor productivity also rose to varying degrees in such industries as airplane manufacturing, space navigation, pharmaceuticals, and computers.

Besides the large devaluation of the U.S. dollar against other major Western currencies over the past several years and the great drop in prices of U.S. manufactured goods on the international market, the other main cause for a revival of the country's manufacturing industry is the bright future of new scientific and technological revolutions. New science and technology encouraged high-tech manufacturing sectors while also bringing about large-scale transformation and renovation of traditional formerly considered "declining industries," making labor productivity rise, costs fall, and improving competitiveness. In the 1980's, investment of U.S. enterprises in production automation was at an annual rate of 5 to 10 percent. U.S. manufacturers spent \$17 billion and \$18 billion on production automation in 1987 and 1988, respectively. Labor productivity rose and costs fell as production was automated in traditional manufacturing industries. Production at the Ford Motor Co was 10 percent higher than 1978 in 1987, with 47 percent fewer

workers on production lines. Since 1982, labor costs in U.S. steel production have fallen 40 percent. The cost per ton of steel (\$431) is lower than in Japan (\$508). Many traditional manufacturing industries in the United States have become "ascending industries," as automation has made labor costs account for 8 to 12 percent of total production costs.

3. *There may be a turnaround in the main cause of the decline in the United States' fiscal position—the double deficit.* The United States has turned from being the world's largest creditor nation to being its largest debtor nation because of its enormous trade and fiscal deficits. During the Ford and Carter administrations, the annual U.S. fiscal deficit was only \$50-75 billion. It rose rapidly beginning in 1982; it was \$220 billion in 1986. The U.S. annual normal project income changed from a \$6.9 billion surplus in 1981 to a \$8.7 billion deficit in 1982. By 1987, the deficit hit a new record of \$170 billion. The U.S. net foreign debt in 1981 was \$141 billion and by the end of 1988 it was approximately \$500 billion. Moreover, there was no serious double-deficit problem prior to 1982. It only became inflated later. Although their growth is definitely related to U.S. labor productivity, reserves, and weakening investment, they are not the main causes. If these factors caused the double deficit, then they should have been more slower in developing and they could very possibly have appeared prior to the Reagan administration. On the contrary, *the double deficit was mainly the result of Reagan's economic policies:* reduced taxes, the overvalued U.S. dollar, greater military expenditures, etc. These policies are based on the following suppositions: domestic government expenditures can be controlled, lower tax rates will encourage investment, economic growth, and annual receipts. However, as these suppositions were not fulfilled, the policies based on them created a severe double deficit.

Therefore, it can be seen that *the deficits were created mainly by the policies of Reagan economists rather than inherent weaknesses of the U.S. economy. As they were brought about by one set of policies, likewise they can be turned around by another set.*

Such a change has actually begun and will continue. In the aftermath of the Reagan administration, fiscal policies have begun to change, creating the "weak attack" of the U.S. dollar in coordination with strengthening currencies of other major developed countries. It appears that the Bush government will undoubtedly strengthen policies aimed at reducing the deficit. A certain amount of consumption taxes (on luxury items, gasoline, etc.) will be levied through enhanced income tax administration to stop up income tax loopholes, shrink government expenditures, reduce military expenditures, and accelerate economic growth. The United States forecasts that its deficit will be controlled to an appropriate level so that it does not threaten long-term economic growth. It is anticipated that these measures can reduce the annual deficit forecast for the early 1990's to approximately \$100 billion, falling to about \$60 billion in several years

thereafter. The trade deficit has now begun to shrink. In 1988 the volume of exports from the United States grew 25 percent, and the trade deficit fell by about \$40 billion since 1987. The U.S. trade deficit will further decline in line with the continued weakening of the U.S. dollar exchange rate, improvements in manufacturing industry labor productivity, plus new trade laws that the United States will adopt to force its main trading partners to open their markets. Some economists predict the U.S. trade deficit will turn into a surplus by the mid-1990's.

In such circumstances, the United States' financial position will improve and it is possible that it will stage a comeback to regain its status as a creditor nation. Such cases have happened before. Britain lost its status as the greatest creditor nation after World War II, becoming a net debtor nation. However, since 1980, due to economic growth and an improvement in its international income situation, by 1987 Britain had become the world's second-largest creditor nation, second only to Japan. In reality, the United States' present foreign debt situation is not as severe as people make out. First, U.S. net foreign debt refers to greater foreign assets in the United States than U.S. assets abroad, which differs from the foreign debt of developing countries (which is mainly a case of foreign loans). At the end of 1987, U.S. foreign debt, excluding direct investments and corporate stock, was only \$24.4 billion, or about seven percent of the country's total pure foreign debt. Net U.S. foreign debt is the result of the huge influx of foreign investment into the country in recent years, mainly in the form of purchases of U.S. land or corporate stock. Second, absolute figures of U.S. direct foreign investment are still higher than foreign direct investment in the United States. At the end of 1987, total U.S. direct investment was \$309 billion while total foreign direct investment in the United States was \$262 billion. In 1988, net U.S. direct investment abroad was still higher than foreign investment in the United States. Third, \$14.5 billion more in income from U.S. foreign assets were earned than by foreign assets in the United States in 1987, so it can be seen that the United States did not pay pure interest. Fourth, with reference to the debt figure itself, it alone is insufficient to reflect the actual U.S. debt situation. The United States still might be a net creditor nation if its foreign investment is calculated in terms of market value rather than book value and gold reserves are entered into the calculation as assets at market value. Therefore, it is possible that the United States will recover its status as a global creditor nation within the foreseeable future.

**Chen Yi Discusses Impressions of U.S. Visit**  
40050398 Shanghai SHIJIE JINGJI DAobao  
in Chinese 6, 13 Mar 89

[Article by Chen Yi 7115 3085: "Random Thoughts on Visiting the United States"]

[6 Mar 89 p 10]

[Text] Comrade Chen Yi [7115 3085] participated in the revolution in 1929, and joined the Communist Party in

1931 so he has a 53-year life in the party and a 51-year life in the army. After the founding of the People's Republic of China he became Director of the Cultural Department of the General Political Department of the Military Commission of the Central Committee. In 1955 he was made a major general.

Comrade Chen Yi has had a bumpy life: he was arrested twice by the Kuomintang (KMT), once by the "gang of four," and after being declared a rightist was sent down to the countryside for 21 years of supervised labor in Heilongjiang.

After the 3rd plenum of the 11th Party Central Committee, Comrade Chen Yi became Deputy Secretary of the Chinese Communist Shanghai Municipality Party Committee and head of the Propaganda Department, as well as professor in the Journalism Department of Fudan University in Shanghai and Director of the Shanghai Writers Association.

These are his impressions of a visit to the United States last year.

From 3 August to 17 September last year I visited the United States by myself. First I spent a month in New York and nearby Connecticut, New Jersey and Philadelphia, then I spent two weeks in Washington and Los Angeles. For a visitor, this may not seem like a short time, but for someone who truly wants to understand the United States it's really too short, so I can only describe some of my impressions of the United States

### Going to the United States By Myself

For a long time, in my mind the United States has been an imperialism and world policeman. This is because not only did we learn from Lenin's writings about imperialism—the discussion of the final stage of capitalism—but we also crossed swords directly with the KMT army which was armed by the United States. We also confronted U.S. officers and men on the battlefields in the Korean War. All this, from books to practice, deepened my knowledge of "U.S. imperialism." My impressions of the United States during World War II were better but later, because the United States started the war of aggression in Korea and the armed occupation of Taiwan, maintaining an "aircraft carrier" policy, I was more wary of the United States. This was the situation until Nixon visited China and the United States and China established relations when real contact with the United States began. However, because the United States insisted on the laws regarding relations with Taiwan and supplying arms to Taiwan, especially since the time of Dulles, making Taiwan into an unsinkable aircraft carrier, we placed our hopes in the third and fourth generations. And the repeated accounts and explanations by our national leaders on these issues could not but influence our thinking.

My relatives and friends in the United States had for a long time said that they hoped I would visit the States at least once. Professor Niu Manjiang [3662 3341 3068] said to me: "The United States is worth a look." My sister's daughter (who is Director of the Pathology Laboratory at the University of California) also often told me: "You should come to see the pros and cons of capitalism to make your choice and that will be more beneficial to building our country."

Indeed, I was already nearly 76 and thought that I should take advantage of the fact that I was still in good health to visit the United States, so I decided to go. Without taking an interpreter or any books, just relying on the remnants of the English I had studied thirty years ago, I went to the United States by myself.

### "The Rise and Fall of The Great Powers" Touched an American Nerve

The United States is now a superpower not only militarily, but also economically and scientifically. However, some Americans say that the United States is headed downhill. As Paul Kennedy, who came from England to be professor of history at Yale University said in his book *The Rise and Fall of The Great Powers*: "The United States is following the disastrous road of Spain, Holland, France and the British Empire, committing their error of 'stretching the imperial front too far' and thus can decline like these countries."

*The Rise and Fall of The Great Powers* is actually a scholarly work and not a commentary on current events, but it provoked strong repercussions in the United States. This is because the book touched a sensitive nerve for many Americans, a major question with which Americans cannot but be concerned: Is the United States, a super power in decline?

Not long after I reached New York this book caught my attention. I asked several people who had read it, and they told me that this reflects a current state of mind among Americans: they are unwilling to spend U.S. taxpayers' money for war preparations, and people still have lingering fears when the Korean War and the Vietnam War are mentioned. Although when speaking in the Bush presidential campaign, Reagan said that when he was in office he did not let the communists take an inch of U.S. territory, he had not abandoned his opinions or practices in war preparations or supporting others to wage war.

Hence, since Bush defeated Dukakis in the U.S. election on 8 November and came to power, the pattern of this international situation in foreign relations probably will not change much, so Americans are pretty much reassured. I think this is the current overall situation in the United States. Probing and commenting on this situation is a matter for political scientists and diplomats. As

for me, I am more concerned with various aspects of U.S. society to, as my niece said, take a look at the pros and cons of the United States, a capitalist country.

#### **If the U.S. Population Were One Billion What Would She Do?**

My son in the United States took me to see my first U.S. supermarket; there are supermarkets all over the United States. It should be said that the supermarket I went astonished me: it displayed all kinds of goods, a feast for the eyes, and so convenient. There is basically no problem of short supply of food here.

There were very few managers in the store, it was very orderly and certain goods that had not been sold by a designated time were sent off to be destroyed. Some of our places where things become contaminated but still are sold, cannot be mentioned in the same breath. At the time, I thought, just four or five people manage a supermarket, while we would need a minimum of several dozen or even a hundred and still not be up to it.

I understand in a general way that the United States government's ability to satisfy the American people's food supply is inseparable from U.S. agricultural policy. The U.S. federal government subsidizes agriculture and investment is also very large. In addition, U.S. land is fertile, scientifically managed, and farmed by machines, and the supply of chemical fertilizers is guaranteed (delivered at a telephone call). When I was traveling on the highway in Pennsylvania, I saw large fields of mature corn, soybeans, and vegetables, but I didn't see many people farming. What I did see was the houses of American farmowners and farm workers flickering by; in front of the houses were cars and agricultural machinery, barns full of feed, and even some motorboats and swimming pools. Here, I feel Americans think much farther ahead.

This is something we can study, but is also something we cannot learn in a hurry. When Americans bragged about this to me, I jokingly said to them, if you had a billion people in America, things in the supermarkets might be sold out too.

I saw some goods in American stores, such as shoes, were selling for \$90-100, but in China can be bought for just 40-50 yuan. Women's dresses selling for \$160 can be bought in China for at most 100 yuan. I couldn't see much difference in style or quality, so why can't our goods get on the U.S. market? People who often go to the United States on business tell me that apart from Yantai and Qingdao beer which have made it into the U.S. market (300-400 tons per year), there is very little else and many things are left on the beach. Some things, such as rice which is exported bag after bag, is attractively repackaged by the Japanese and Americans into one-pound bags which are easier to handle, so many people buy them. Or take cameras for an example. Others admire and buy our lenses, mount them on their cameras

and sell them for a better price. In a library I saw very few Mainland books, but a lot from Taiwan, including some on the issue of simplified characters vs. traditional characters. But the most important thing is that we have not broken into the enormous U.S. market. Back in China I read that many periodicals have overseas periodical distributors, so where are these periodicals distributed to?

#### **Can We Break Into the U.S. Market This Way?**

While I was in the United States I also saw and heard and learned from the newspapers that provinces in China send to the United States sales delegations of up to 100 persons headed by provincial governors and deputy governors and I wondered (I had seen a sales delegation from Sichuan) why the provinces send so many people. They had not brought many products and most of the people they sent didn't speak the language. I can't help asking, Can we break into the U.S. market this way? To send each of them cost a great deal: the airplane tickets alone were about 10,000 yuan. After returning from the United States, when I mentioned this to Mayor Zhu Rongji he said that Comrade Xiaoping had complained and our embassy and consulates had opinions on this but there was nothing that could be done. Here there is a question of how to introduce our things. Economically, the United States is a country in which supply exceeds demand and they advocate consumption, but we are a society in which demand exceeds supply and supply cannot meet the demand. In this aspect, we are fifty years or even more behind the United States. This has determined how we import and what we import, the state unified imports and the provinces decentralized imports. How do we plan the division of labor and overall arrangements so we can benefit and avoid redundancy and collisions? This is an issue which requires state policies and integrated coordination.

Then we also talked about the issue of diplomacy in the United States. Just as our ambassador said, it will take a decade or two to break into U.S. society. He suggested that if Shanghai wants to develop work in the United States we must send people who are knowledgeable about American politics, economy and the law to stay for a ten or twenty years. The present situation in which people are rotated after three or five years and cannot bring their families with them to the States is incompatible with long-term goals. It is difficult for them to accomplish much within the short duration of their assignment. Here we have to give some thought and consideration to politics (not political orientation but political discrimination), economics and professions as to whether we need to send so many organizations and personnel. Mayor Zhu told me that Shanghai sends over 300 people. Why? We need to understand and make adjustments and the key is how they should play their proper role to produce some practical results for really opening up and introducing.

### **We Can Say That We Have Only Knocked at the Gate of the United States**

This makes me think in particular of a related issue. We can say that we have only just knocked at the gate of the United States and have placed one foot across the threshold. We will have to make a very great effort to really get into American society yet. The current question is what people should we rely on to enter American society? Through understanding and contact, an idea has gradually formed in my brain of entering American society at multiple levels. What I mean by multiple levels is upper level, middle level and lower level. The upper level is our diplomats, Chinese-American businessmen, famous scientists and professors, but these are after all extremely limited in number. The diplomats are restricted by the laws of their host country, and although the Chinese-American businessmen, famous scientists, professors, and scholars are very patriotic, once they get involved with highly sophisticated science and technology, they are restricted by U.S. law, so there are also some limitations here. It seems that we should pay special attention to the middle level, that is, our students abroad (whether state-supported or self-financed) and their friends and relatives in the United States. I once discussed this with the embassy. Relying on them and using the results of their studies and contacts and dealings in the United States, the relationships between teachers and classmates, and the relationships of some of them who are already employed with some major companies, enterprises and universities as a means of getting to the foundation of American society. I have been in contact with some people, including some Taiwan people, who are all very patriotic. The daughter of a friend of mine has already become a U.S. citizen. I asked her: Who will you vote for president? She said, Whoever is friendly towards China. This indicates very well her feelings for her ancestral country. In California I met several Taiwan professors and their wives and we all had a common conviction: Taiwan does not want to unify the Mainland with the Three People's Principles, nor does the Mainland want to unify Taiwan with Communism. This is a matter for the KMT and the CCP. We are all Chinese so first of all we must have contacts, dialogue, interaction, and sit down and talk.

### **Do Not Put Up Roadblocks To Leaving China and Returning to China**

Students abroad (both state-supported and self-financed) have a common demand which is that they hope the thinking of the leadership will be a little more liberated and that they will not put roadblocks to leaving China or returning to China. This demands a readjustment of our policy on students abroad. They repeatedly raised this issue with me and hoped that I would pass it on to the leadership comrades of the Central Committee and that they would make some specific policy stipulations. The ambassador and consuls also shared a similar view. We should not always put up obstacles to leaving China but not returning. If the policy is settled, they will be more

comfortable, for whether or not they return to China is not the issue, since they can make a contribution to the ancestral country whether they are at home or abroad. They all say: We wish the domestic policy makers were more enlightened and a little more farsighted. All of them, including my friends and relatives, were afraid that if they went back to China they could not leave again.

There is also a practical question of why students abroad do not return to China for a while: the disparity in standard of living. One student abroad said that although he worked hard here (he delivers papers for ASAHI SHIMBUN) he has a rather good house and a car, but if he returns to China will he have them? Reluctance to part with the American standard of living is fairly universal among students abroad and is not an isolated phenomenon.

It should be pointed out that these students abroad are useful talent and some are even first rate. Not to mention Yang Zhenning [2799 2182 1337] and Li Zhendao [2621 2398 6670], the academic achievements of the Chinese students abroad are the best among the foreign students in the United States. It should be mentioned that these students are important talent for China's future modernization and if we give them a little more help while they are still having some difficulties they will be much stronger compared to waiting until they are on their feet and devote their energies to work. The unfortunate thing is that our concern for them both ideologically and materially is far behind that of Taiwan. For example, buying medical insurance. Taiwan helps Taiwan students abroad buy insurance. Our restricted state finances make it hard for us to do this. Whether or not we should is at least a question which is worth study and must be considered in this regard. The ambassador and consuls feel their own power is limited and there are limits to workers, finances, and energies.

On the basis of an analysis of these phenomena alone one can reach this conclusion: if we do not readjust our policy and think that getting into American society is an excellent wish, it will be very difficult to achieve any practical results. We should understand soberly that some of the U.S. conservatives in power who view China as a potential enemy have not abandoned the hope that Allen Dulles placed in China's "third and fourth generation."

The United States is maintaining the ecological balance very well and one is not permitted to cut down forests at will and those who do are taxed heavily. The wood, paper pulp, and paper America uses are all imported from South America. That what is easy to obtain is used wastefully is not surprising in the United States. Gasoline waste alone is equivalent to wasting American wealth for a year and a half; the United States does not have enough of her own gasoline and imports it from abroad, and here we can see why the United States sends warships to protect the sea lanes, thus revealing the American economic capacity. I often think that the United States is not afraid of debt or deficits because the



entire world uses the U.S. dollar as the exchange rate. The U.S. dollar is international currency. U.S. inflation has never stopped, prices for U.S. goods grow every year, and this is because of the wealth of resources and because the ability of the people to endure has not caused severe social upheaval. This is worth our study though of course we could not model ourselves on this immediately. This is also the reason why the United States is in decline but has not declined.

I strolled in Manhattan—such places as Wall Street—and saw the skyscrapers, which Americans call “the cement canyons”. I felt that dollar imperialism will not collapse for the time being and Gorbachev may have noted this point and thus he firmly advocated “dialogue instead of opposition”, and he has practiced it himself. Of course, China also welcomes the international trend towards relaxation and environment of “dialogue instead of opposition” which is favorable for the implementation of our reform and relaxation policy.

[13 Mar 89 p 12]

[Text] The United States will not be defeated for the time being and the skyscrapers will not collapse, U.S. goods are abundant and it draws many of the world's people, including some from our country, especially young people, to go there.

For this reason, I must discuss my impressions in this regard. Knowledgeable Americans are also very uneasy about the next American generation. Drugs, homosexuality, and the AIDS that accompanies them not only have infected the bodies of American people but have also infected the souls of the next generation of Americans. Columbia University is a famous American university and I went there to visit. The academic achievements of the university are world-famous, Dr Yang Zhenning [2799 2182 1337] holds a position there, but the proportion of homosexuals among the students is fairly high. U.S. laws do not prohibit homosexuality and the school also does not interfere; thus there are homosexual groups, publications, and sometimes even lectures at the university. Robbery and murder occur almost every day. One type is mugging and another is robbery, and if the victim resists or has no money, he might be severely beaten or killed. Therefore, I am often concerned about the physical safety of my daughter who lives alone in the United States.

Lack of respect for the elderly is an even more common sight. The U.S. government has spent a great deal of money working for the welfare of the elderly. I visited two senior citizens' centers, a five-room residence was only \$70 per month and a meal was only \$.50, but they were very lonely: almost none of their children go to see them and when they saw me come to visit with my son and daughter-in-law, they were both excited and envious. Some said with tears in their eyes, “Only you Chinese maintain this traditional virtue.”

Coexisting in the United States with this ugliness and evil is a splendid culture. I visited the New York Museum, Independence Hall in Philadelphia, art museums in Washington, Du Pont Gardens in New Jersey, Huntington Botanical Gardens in Los Angeles, a program at the Kennedy Center for the Performing Arts in Washington, and saw the film “Platoon” (which won an “Oscar”) in New York and a performance of the Los Angeles Symphony Orchestra, all representing American culture which is respected and admired throughout the world. I mention in particular the Los Angeles Symphony Orchestra which is one of the four great symphony orchestras in the United States. Tang Yun [0781 7301] of China is second violinist in this orchestra. She has been settled in the United States for two years and since 1980 she has been studying and performing in the United States and Europe and has made great progress in her art. What made me the happiest is that she still maintains her earlier simple style, still wears her hair in a bob and hasn't changed from the time I saw her in China. I especially went to see her perform. I should say that it was an unusually orthodox performance in an open air theater that seats 18,000, and the visual and musical results were very good. After the performance I told Tang Yun that I hoped she would come back to China next year to perform. This is one of the accomplished students abroad I saw in the United States.

What made me envious is that when the concert began everyone stood up and sang the national anthem. This is one of their normal means of patriotic education. In addition, American families allow their children to travel in Europe or other places so as to expand their world view and thus feel more keenly that the United States is better and this is also a means of patriotic education. Naturally this is inseparable from America's financial prosperity.

I also visited the U.S. Military Academy at West Point. I had heard in China that at West Point they advocate studying Lei Feng, so during my visit I raised this question and they replied: What did Lei Feng do? We're not very clear on this. Is he the model everyone chooses? After I had briefly explained about Lei Feng to them, they said probably they advocated a Lei Feng-type spirit of dedication. The abovementioned situation now occurs in the lives of American young people and to varying degrees has invaded American soldiers and young officers. West Point is a school for training junior officers. Their educational purpose and school spirit is: Duty, Honor, Country. Dishonesty, Deception, Theft. The first words are things which the cadets should strictly observe and if they commit any of the latter they are expelled.

Learning from Lei Feng probably refers to this. The West Point exhibition hall is being rebuilt so I was unable to see it, but according to those who have visited it, there is a picture of Lei Feng among the Chinese military materials there.

Indeed, there is an educational problem with the younger generation of Americans. I hope that Chinese young people, especially young people who are going to the United States, will carefully consider the following issues. The expression, "If you want to be an official, stay in China; if you want to get rich, go to America," is popular among many of them. Can you always get rich in America? From the people I came in contact with, the path to wealth is not that easy, and in making a little money to get along and buy books one also experiences some bumps. But because living and working conditions in China are poor, many of them still come here eagerly. America is a country in which you cannot do anything if you don't have money; money dominates everything, even within the family.

But I also should mention that in America, as long as you want to work—especially hard work—one can find work and also save a little to buy a house and a car. The fact that some students abroad do not want to go home is closely related to this, unlike us who in the past treated labor as a means of punishment. This is something we should learn from America. American young people are ashamed to be dependent on their parents, including the President's children, so once they grow up they want to make their own way and even if their parents can provide for their education, they earn their spending money themselves.

Another level of the multiple levels I mentioned above can be called the lower level and that is the people who for generations have lived in Chinatowns (Los Angeles' Chinatown is called "Little Taipei.") This is a very large number. It has been more than one hundred years since the creation of Chinatown in San Francisco during the gold rush and I don't have an accurate count of the number of people, but there must be over 2 million. San Francisco's Chinatown is the earliest and New York's is the highest, and although Washington's is small, it is very ostentatious compared with Los Angeles's. It developed very quickly so that there are Chinese everywhere to the extent that some Americans wanted to move away, feeling that they had become "foreigners" here. Because of this the U.S. government ordered that all the stores, banks, and travel agencies in Chinatown had to have signs in English, though Chinese could be written below it, so one can see its impact.

It should be pointed out that these Chinatowns have recently entered U.S. society. Some people have truly risen to power and position and some others have entered the highest levels in the United States—federal and state government and state legislatures and some have even been elected deputy governors and secretaries of state.

Our contact work among these people is very poor and we have ignored the fact that this is an important force for entering American society. Many friends have spoken to me about having the Mainland devote some attention to organizing these people. I had the good

fortune to participate in an International Lions Club lunch on the 106th floor of the World Trade Center in New York to swear in new officers and celebrate the 6th anniversary of the Wall Street Club. I was seated at the head table. This was a gathering of the high level Chinese-Americans and Tong Zhiling [4547 5365 5376] and her daughter were invited to perform. A single ticket cost \$65. Here I met some people, such as the retiring president and the new president. These were beneficial contacts and a step up on the ladder of entering American society.

Some Taiwan people in the United States are very wary of Tong Zhiling. She had responded to the invitation of some Los Angeles Beijing Opera fans to perform, only some were afraid to invite her: Tong Zhiling is a communist, how could we invite her? But because of Tong Zhiling's superior artistry she was welcomed by the Los Angeles overseas Chinese. So she finally did perform with great success. So long as one has true ability, political views cannot stand in the way. I thought that if our art that goes to America is of a high level it can represent the level of our country and we definitely cannot accept second best. Some of our artistic troupes want only to be able to achieve their goal of leaving China and ignore everything else, sometimes even detracting from national standards. This deserves our serious consideration.

I'd also like to talk about American transportation and communication. It should be pointed out that American transportation is intense, busy, and orderly, and communication is unobstructed.

Entering the country at San Francisco, at the airport they tell you what door to go out to get your luggage and to take your luggage to customs, and then what door to take back to the waiting room and the gate. As long as you know a little bit of English you can get in and out smoothly and easily. If you really don't know English, before you leave you should have someone write out some simple phrases which can help out so it won't be as troublesome as it is in China. My son was afraid that I wouldn't be able to communicate on the airplane so he spoke to the ticket collector and a little before takeoff the flight attendant found someone from Taiwan who spoke Chinese to come and ask me if she could help me. It was very touching.

Taking off on time is a routine matter and rarely causes any headaches. I heard that in America if the airplane is late they compensate the passengers for their losses.

I'd like to discuss the highways—especially the expressways—which can truly be called reaching everywhere and as dense as a spider's web. Cars driving on the expressways are divided into three lanes depending on speed, and all must drive in the specified lane no matter what kind of car it is, an ordinary one or a luxury one. If there is the slightest infraction of the traffic laws, they will be caught by the police. What is amazing is the speed

with which the police get to the scene and this is because of observers in the air and computer trackers on the ground. The police have a great deal of authority and carry nightsticks, pistols, handcuffs, and arrest warrants. This shows that in America the means for applying the law and dictatorship are considered very seriously.

It occurred to me that some people say that our people's police carry nightsticks and this means that they don't respect the people and are not concerned about them and this is a matter of the application of the law and the instruments of dictatorship. Our ideas are rather out-of-date.

In America I never had any trouble with communications. Whether I was telephoning China or telephoning in America, as soon as I dialed the call went through. The calling time is five minutes: once the five minutes are up the connection is automatically broken and to continue the call you must pay again; if you want to get away cheap, you can't, so Americans don't chat much on the phone. In particular, every street corner has a telephone or more telephones, and basically there is no way to break them. There are even telephones on the expressways, so if a car has an accident you can stop and telephone and thus get the help you need.

In the face of all this, I wonder if China shouldn't devote some time to modernize in this area. For a country, transportation and communications are like the veins in the human body, they let the blood flow so the body is healthy and can bring many benefits—not just economic benefits. Americans spent a great deal of time and a great deal of money to build "unblocked veins", Americans themselves say it took one hundred years! This is a long-range issue and there is long-range thinking, but it can be managed if it is done step by step. I'm just afraid that being eager for quick success and instant benefit there will not only be no long-range planning, but also no short-range goals, often getting half the result for twice the effort and sometimes even going backwards. This should be a lesson for us.

I'd also like to mention American democracy and science. My thoughts and feelings on this point were especially deep in Washington.

We have shouted democracy and science for many years since the May Fourth Movement when we advocated Mr Democracy and Mr Science to overthrow Confucius's shop. Several decades have passed and our democracy and science have developed and advanced greatly compared to that time, but things are not yet entirely satisfactory and there are some big gaps.

On the first day after I visited Washington I wrote in my diary:

Today I visited America's Capitol Hill and the National Air and Space Museum; to be precise, I visited American democracy and science. These are two things we raised

during the May Fourth Movement. At the time we called them Mr Democracy and Mr Science and now, 70 years after the May Fourth Movement, although we have made great progress and achievements in these two areas, in terms of the things I saw today there is much that merits our consideration and study.

Take American elections, for example. This is something that elicits the most pride among Americans. This trip to America happened to be during the U.S. presidential elections and I saw every day from television and the papers the fervent nature of the struggle between Bush and Dukakis. This sort of thing never happens in China, so it prompts China to follow it with some interest. Our People's Congress sent a delegation to observe and study it, but I don't understand the point of this observation and study. China's social system—a system of multi-party cooperation under the leadership of the Communist Party—probably cannot be like these elections in the United States no matter how it develops.

I have to associate it with China's democracy. Except for the plurality election for Vice Mayor of Shanghai this year in which two Vice Mayors were voted out when we saw a shadow of democracy, elections like those in America are rarely seen. Here I would mention: Should we imitate American democracy? Can we? I don't think we can.

First, we are a socialist country and do not have the two-party system. Our national leaders go through party recommendation, consultation by democratic party factions and people's organizations and then are elected to the people's congress, but all are through equal-quota elections. This sort of democracy can only be limited.

Second, although we have elections for people's congress representatives at the grassroots level this is only beginning and is not yet direct popular elections completely.

Third, the highest level for plurality elections is still only to the Standing Committee of the National People's Congress.

All of this is determined by China's national circumstances and no matter what, the participation in and discussion of politics by the American people is more direct than ours. It has become customary for the news media to criticize national leaders and the Congress conducts its work with regard to the federal government in accordance with the separation of powers. I do not know what our comrades who were sent to observe and study the U.S. presidential elections really understand and what they can make use of. I am only expressing my own opinion, but the democratic spirit of the American people is something we can make use of in facing the process of strengthening democracy and changing our outlook.

The American government places a high value on science and the position and treatment of scientists is very good, thus their scientific results are countless and rank in first

place in the world. I don't have to tell you this. I will only mention briefly science popularization. These are my profound impressions from my visit to the National Air and Space Museum. Space travel is no longer a secret. The Americans dare to show everything about space travel—space ship manufacture, takeoff and flight—to the American people in a motion picture entitled "From Idea to Reality." This is the place I ran into the most number of visitors during my trip to America and because it was a 3-D movie it seemed that we were sitting in the space ship ourselves.

China has made encouraging progress in this area and not long ago the exhibit of aircraft and missiles which was held in the Shanghai Exhibition Hall, was not only for sale and exhibition, but also should be necessary for popularizing science and educating the people. It is beneficial for improving the quality of the people and raising the people's self-confidence.

Finally, I would like to talk a little about American law. I should point out that American law is very good and the people are accustomed to obeying the law. This is evident in paying taxes and that they observe social public order and even shopping, going to the theater and dining made a profound impression on me. But America is, after all, a capitalist country, and some of her laws are to protect certain classes; and those who enforce the law, including some lawyers, do some clearly unlawful things in the name of the law.

The gambling city of Las Vegas in Nevada makes this clear. This is a gambling city which was permitted by act of the U.S. Congress. People call it "sin city." Here, in magnificent hotels which are built for gambling, one can do anything one desires and millionaires become paupers overnight and even lose their lives. This is protected by U.S. law. A university mathematics student studied winning and losing at gambling and won every time he gambled, but then was beaten by the casino owner and was finally declared guilty by the court which said that he had encroached on the management of the casino. He was fined and never permitted to enter a casino again.

Here we can see what lies behind American law. In this regard it is essentially different from our law. It's no wonder that my niece who is studying at the University of California says that if American democracy is overdone, any bad thing can be done; if freedom is overdone, it becomes selfishness. I think that what she says makes good sense.

These are my random thoughts about my trip to America.

### EAST EUROPE

**Hungarian Political Pluralism, Soviet Reaction**  
40050419 Shanghai SHIJIE JINGJI DAobao  
in Chinese 20 Mar 89 p 4

[Editorial by Lou Bin 2869 1755: "Budapest: After Political Pluralism Was Given the Green Light"]

[Text] During the transitional period from now until 1995, the Hungarian Party hopes to achieve economic

improvements through effective work and thereby restore the confidence of the masses in the party, so that the party will continue to play the leading role in the coming competition under the multiparty system.

For something over a month, the Hungarian Socialist Workers Party [MSZMP] has been taking a step forward, advancing on tiptoe, most cautiously but also courageously, on the road of political structural reform, a fact which is attracting closest attention East and West.

#### The Multiparty System: Within Controllable Limits

From 10 to 11 February, the Central Committee of the MSZMP held its plenary session and resolved: "Political pluralism may be instituted within the framework of a multiparty system." Grosz said at the meeting and after the meeting that the party not only supports and endorses the multiparty system, but in fact proposes that a multiparty system be instituted. He expressed the opinion that it will not be possible for Hungary to continue a one-party system because the mistakes committed by the MSZMP before 1956 and the political and economic difficulties that have arisen in recent years have forced upon the MSZMP the realization that even establishing a socialist pluralistic mechanism under the one-party system would not prevent the party from committing subjective mistakes of the above-mentioned kind. The multiparty system reduces the possibility of erroneous decisions, as the various parties will exercise mutual supervision.

The MSZMP gave the green light to start a multiparty system, but still hopes to hold the multiparty system down to controllable limits. They emphasized that the establishment of the multiparty system is a gradual, coherent process, as it may otherwise cause social instability. Grosz called on the entire party to strengthen solidarity and to strive—in next year's first election of a parliament with a multiplicity of parties—to ensure the dominant position for the MSZMP and to leave it in control of military and diplomatic affairs. As to the actual start of the multiparty system, the plan is to implement it as from the next election to parliament in 1995. During the transitional period from now until 1995, the MSZMP hopes to achieve economic improvements through effective work and thereby restore the confidence of the masses in the party, so that the party will continue to play the leading role in the future competition under the multiparty system.

From 3 to 5 May, Hungary's ruling party has carried out a dialogue with seven organizations, such as the Social Democratic Party, the Hungarian Federation of Resistance Fighters Against Fascism, the Independent Peasants Party, the National Executive Council of the Hungarian Democratic Association of Youth, the Hungarian Democratic Forum, and the Hungarian People's Party, with the purpose of dispelling mutual distrust and to seek cooperation. Some of the topics discussed were:

election formalities, the process of enacting a constitution, and formulating an outline of economic welfare. The MSZMP hopes to gradually develop the bilateral talks into multilateral talks, and finally to create a permanent political coordinating forum, the "Hungarian Round Table Conference," for the smooth progress in social reform, in launching the multiparty system, and to avoid disturbances and anarchism.

#### **The New Constitution: Tabling New Constructive Ideas**

Following the proposition and pursuit of the multiparty system, Hungary is now intensifying its work on the new constitution. In the face of increasingly vigorous debate over the new constitution, the MSZMP held a plenary session of its Central Committee in February and presented the party's proposals for a new constitution in a 100-page document:

**Hungary is to Remain a "Socialist Democratic Republic;"**

The constitution will not state that the MSZMP assumes "the leading role." The MSZMP put forth that the party must not by law be guaranteed its leading role, but must rather gain society's confidence and support in the forthcoming competition by its own program, policies, political work, and the exemplary conduct of its members;

The question whether or not to institute a multiparty system is not yet to be included in the provisions of the constitution; any social organization and political party shall exist only if its objectives, program, and action conform to the principles and objectives of the constitution;

The constitution is to guarantee the sovereignty of the parliament as legislative body, as equally the sovereignty of the executive agency, the law courts, and the judicial organs. It is also suggested that a tribunal be established for constitutional questions, administrative courts, and a state auditing bureau.

The institution of a president is to replace the present chairmanship of the republic, as this is considered a guarantee for equality among the various power organs;

The new constitution will proclaim recognition of public ownership and private ownership and afford them equal status; all types of ownership are to be mutually open; and the future economy is to be a mixed socialist market economy.

As from 8 March, the National Assembly will start a debate on the new constitution; on the basis of this debate, the constitution will be submitted to the whole people for discussion, and after amendments, if any, will be officially submitted to the National Assembly in December for deliberation and approval. Finally, it will be submitted to a referendum, and the new constitution will only then be officially put into effect.

#### **Neutralization: the Trend Becomes Visible**

Recently, Hungary began courageously revealing its ideas on the question of its relations with CEMA and the Soviet Union.

The deputy director of the Hungarian Institute for World Economic Research expressed the opinion that CEMA should be dissolved. In his opinion, Hungary, northern Yugoslavia, Czechoslovakia, and the Eastern Ukraine should establish a customs union. (?Rezso Nyers) suggested establishment of a "Benelux Socialist Economic Federation." Hungary's minister of commerce has also stated that Hungary will soon seek membership in the European Free Trade Association.

In a recent interview with Japanese reporters, the head of the Hungarian Institute of Science made the remark that Hungary's 1956 proclamation of withdrawing from the Warsaw Pact was not a counterrevolutionary act.

Moreover, keen Western observers detect a certain significance in the following minor affairs: Hungary decided to abolish 7 November as a holiday, Russian will no longer be a compulsory language in secondary and primary schools, and the first country that Nemeth visits, after becoming president, will be not the Soviet Union, but neutral Austria.

#### **Reaction of the Soviet Union**

Although clearly opposed to a multiparty system in the Soviet Union, Gorbachev's reaction to Hungary's multiparty plan was very mild. During his interview with Nemeth on 3 March, Gorbachev said: "Every ruling party must solve its problems according to its own historical conditions and national value concepts, and is empowered to determine its own policy." Nikolay Talyzin, a candidate member of the CPSU Central Committee Politburo, expressed at a press conference that the Hungarian plan of a multiparty system is an internal affair of Hungary, and each party may decide their own attitude in this question. As to the centrifugal tendency of Hungary, official quarters of the USSR maintain silence, but many newspapers and scholars have expressed privately that neutrality is acceptable as long as it does not impede Soviet-Hungarian friendship.

**'Theoretical Ambiguity' in Reform Must Be Cleared Up**

40050358a Shanghai SHIJIE JINGJI DAobao  
in Chinese 3 Mar 89 p 2

["A Perplexed Municipal Party Committee Secretary—  
An Interview"]

[Text] "The greatest problem we currently face is that many things are not being clearly presented to us from above and so our work down here is difficult to do." These are the words spoken by Li Genshen [2621 2704 3234], vice secretary of the Heilongjiang party committee and secretary of the Harbin municipal party committee. It is quite clear what he refers to when he says "above" and "down here."

He went on to say that the reforms have manifested themselves in the farming villages and the resulting shift from collective ownership of all production materials aside from land to ownership by individual agricultural households has won universal acclaim. However, in the city this has implicated reforms in the ownership by the whole people and has touched on the critical issue—property ownership—and thus it is no surprise that the idea has been rebuffed. The problem is that the reforms have gone on for 10 years now and we must learn from our experiences.

Li Genshen talked about Deng Xiaoping's speech on 10 years of reforms and learning from experience and pointed out that it is not an easy task. Li feels that the lower levels will not be able to do their work well until the higher-ups provide consistent and genuine guidelines of intent.

Li feels that many people including himself have not done a thorough job on basic problems in reform and the problems that are now emerging are due to an inability to face and actually learn from experience. This in turn may stem from misgivings that exist with regard to: first, that exaggeration of achievements, concealment of problems, fear of flagging problems, rising chaos and mounting corruption all work to negate reforms and the failure to face up to constant crises will in the end destroy reforms and second, that widespread exaggeration of problems and denial of achievements suggest to the people a lack of sufficient stability to proceed with the planned economy.

Li Genshen feels that the reforms have committed many mistakes but the basic strategy has been successful and the victories far exceed the losses. However, since errors do exist in actual life, they should receive full attention and the party as a whole should sum up and learn from experience in a comprehensive way. In this manner further theoretical progress will be made.

Li continued to stress learning from experience with the goal of clearing up theoretical issues. The 12th Party Congress proposed the creation of a planned commodity economy, but understanding on this has been less than

unanimous. Theoreticians have haggled without end over what to favor and what to slight in the market and in planning; in practice there have been numerous changes of course and at times one can't make head or tail of it in doing one's work. The 13th Party Congress proposed that "the state regulate the market and the market guide the enterprise." At this point the theory behind all of this is not clear. Changes in property ownership rights have not been given comprehensive consideration and there has been no room for flexibility in direct state control over the enterprises.

Theoretical ambiguity leads to chaos in practice. Here Li appeared to get a bit worked up. He said that especially in the north the work of the local Party committee is difficult to do. Putting it bluntly, he says that things are done too rigidly. Or to tone down the message a bit, he says that rules and principles have a strong influence on work. This in turn is what causes an inability to get a clear grasp on the spirit of the central authorities. Moreover, it is not uncommon to hear the masses say things like "how come the policies are not being carried out in other provinces and cities?" or "how come the policy was here yesterday and is gone today?" Another example is the current requirement that the scope of price rises should be markedly lower than that for last year. How much lower? How to lower them? All this ambiguity makes it difficult to perform the work. Now we have a case of one gun and two bullet holes, lots of hidden subsidies and increasing open subsidies. The cost of agricultural products is increasing and so the purchasing price must be subsidized. Otherwise no one will be able to buy anything. And even after doing this, the seller's price still must be subsidized. This year it looks like Harbin will need to provide subsidies of between 80 and 100 million yuan. How is this to be done? Is there a basic way to resolve this? Of course one could simply call a halt to it or else worry about it later and just concentrate on getting by today. However, in the end the Chinese people are going to have to acquire a sense of urgency about these matters.

These are words coming from a municipal party secretary of a large municipality and are not a ruse to get reporters to start spreading a certain point of view. Excitement over reforms has shifted from the two poles and is now showing itself in the middle. That is, in the past the national government and the masses were enthusiastic about reforms while the middle acted as an obstacle. Now the masses have commodity prices on their minds, the state heads are trying to stabilize the economy and it is the local governments that are really excited about reforms. This may be a biased view, but from looking at Harbin it is obvious that local governments are quite enthusiastic about reforms.

In this regard, it is worthwhile to keep an eye on trends coming out of Moscow. Li Genshen, who was a classmate of Premier Li Peng at the Moscow Graduate School of Kinetic Engineering, went on to say that the Soviet Union has a better economy than does China, there are

fewer people and more resources there, and fundamental conditions are better. However, there is a tremendous sense of urgency about reform in the Soviet Union and, despite the fact that they have a fairly elaborate planned economic system and their reforms have met with difficulties, they are still able to face reality and own up to problems within their system.

We should accurately learn from our experiences and study our problems. For example, if there are elements of corruption within the party we may have a general idea that it is an issue to be dealt with, but we need to get more specific and ask "just what is going on?" "In what ways does it manifest itself?" The problem must be studied throughout the party and the results of the study must be analyzed but we don't do this because we are afraid to face reality.

Li Genshen went on to illustrate more problems. How do we carry out study and planning for such problems as coordinating reforms in the political and economic systems and ideology? Also, the issue of education has never truly been stressed. Leaders at the various levels are mainly concerned with increasing material wealth in the short term and forget to stress the overall development of the people. We run into problems and grumble about the low quality of Chinese people and, yet, what have we done to make things better? Currently there are many flaws, and undoubtedly the ill winds and weak mechanisms are partly to blame. This is aggravated by the poor quality of the people and it is hopeless to expect that the mechanisms will get better when we can't even depend on the quality of the people. Right now we are at a loss about what to do about the people problem. The old ways are inapplicable and we can never revert to them, but the new system has not yet taken shape.

Many people are now grumbling. Perhaps this is the grumbling of the party secretary of a large municipality. Perhaps they are words spoken from the bottom of a communist party official's heart. And perhaps this is where the current state and difficulties of China's reforms are to be found. This suffering and this bold and direct style of a cadre were brought on by none other than the reforms.

#### **'New Authoritarianism' Advocated To Revive Reform**

40050340b Hong Kong CHENG MING [CONTENDING]  
in Chinese No 137 1 Mar 89 pp 55-56

[Article by Ai Kesi 5337 0344 1835: "Controversial 'New Authoritarianism'"]

[Text] *There is no reason to believe "new authoritarianism" will drag China back into traditional autocracy and dictatorship. Nevertheless, given current conditions in China, this proposal for new authoritarianism may very*

*well be exploited by ultraleftists as an excuse to suppress the democracy movement and dissidents, to reapply the old ploy of "proletarian dictatorship," and to revive hermetic isolationism.*

As reform stalls, the theory of "new authoritarianism" has appeared on the Chinese mainland. This form of authoritarianism naturally is different from the old brand, which symbolizes feudal autocracy, in that the new form has been posited in the hopes that reform can forcefully be implemented so as to overcome the situation in which "policy above is met with countermeasures below."

#### **The Proposal and Discussion of "New Authoritarianism"**

"New authoritarianism," which in fact constitutes elite politics, is common among Zhao Ziyang's old brain trust. Thus some elites also believe that because the student movement that occurred at the end of 1986 gave conservatives an excuse to launch a fight against bourgeois liberalism, student movements are counterproductive, may undermine "stability," and are inimical to reform.

The stalling of reform is due in part to the inability of the masses, who have unleashed a torrent of complaints, to cope with reform and even more to people who have used reform to fish in troubled water. "Old proletarian revolutionaries" also cannot cope with reform, believe that reform is moving ever closer to capitalism, and thus are even more opposed to reform. Thus reform is under attack from both above and below. Consequently, some reformers have looked even more desperately for the appearance of a strong man who can both ward off old conservatives at the top and enforce reform on the masses below. Thus this issue is "heating up."

On 16 January of this year, SHIJIE JINGJI DAobao, which is published in Shanghai, carried articles by Wu Jiaxiang [0702 1367 4382] and Rong Jian [2837 0494] discussing new authoritarianism. Wu, a graduate of the department of economics at Beijing University, works in the General Office of the CPC Central Committee, while Rong is a doctoral student at China People's University.

According to Wu's account, a young Shanghai scholar named Wang Huning [3769 4471 4382] wrote a report in 1986 forcefully arguing that central authority must be strengthened in reform; a doctoral student at Beijing University named Zhang Pingqiu [1728 3521 0046] has also advocated that China at this stage needs a semicentralized system, and further argued last June that under current conditions forceful implementation of modernization by powerful leaders is more feasible than effecting immediate and complete democracy, and maintains that the top priority now is to bifurcate social life, meaning to effect freedom and entrepreneurialism economically while highly centralizing politics; and the famous GUANGMING RIBAO reporter Tai Qing [2071

2532] argued last September at a symposium commemorating the 90th anniversary of the failure of the 1898 reform that China's reform and modernization effort requires a political strong man like ones who recently have ruled in East Asia and other regions.

Wu explained, "In my view, what they are advocating is a theory of centralizing power that is completely different from traditional authoritarianism. For now, let us just call this new ideology new authoritarianism. What is 'new' about this form of authoritarianism? The 'newness' lies in that this form does not establish authoritarianism by depriving individuals of their rights but rather uses authority to smash obstacles to the development of individual rights in order to protect those rights. The question of whether individual rights are to be deprived or protected is what separates old and new authoritarianism."

New authoritarianism serves as a bridge between the past and future in social development, which, according to Wu, occurs in roughly three stages: traditional autocratic authoritarianism, the development of human rights under the protection of new authoritarianism, and the linkage of freedom and democracy. However, Wu did not explain how "new authoritarianism" comes about. He admitted that the concept "has not been subjected to careful theoretical study" and "certainly is not destined to receive widespread acclaim," and thus he describes the concept as "the owl of Minerva": "But the owl has taken off, albeit in the early light of dawn."

Rong Jian's article acknowledged that, to achieve modernization, every country must go through a stage combining free economy and highly centralized politics but that this combination can by no means be any old which way. The most important condition governing the combination is that politics and economics must be separated, a situation he dubbed "political-economic bifurcation." And the economic side of this bifurcation is manifested primarily in three ways: privatization of the system of ownership, commercialization and marketization of the economy, and making enterprises and the entrepreneurial stratum independent.

In "Deng Xiaoping: Theory and Practice," published last December, Wu made an exegesis of "Deng Xiaoping thought." It was precisely the "cat thesis" of Deng Xiaoping thought (white or black, any cat that can catch mice is good) and "grope thesis" (crossing the river by groping for steppingstones) that Wu claimed to have found a theoretical basis for his concept of "new authoritarianism."

In an interview with SHIJIE JINGJI DAobao, Chen Izu [7115 0001 6171], director of the China Economic Restructuring Research Institute, and Wang Xiaojiang [3769 1420 1730] and Li Qun [2621 1498], vice directors of the institute, in discussing what type of administrative system China needs at her current stage of development, said there are four models in the world: tough governments and tough economies (such as the Stalinist model),

soft governments and tough economies (like India), tough governments and soft economies (like the "four little dragons" of Asia and Brazil and Turkey), and soft governments and soft economies (like many Western countries in the post-World War II era). Of these four models, the third is believed to have produced more successes, and no developing country has succeeded with the fourth model since the end of the war. Thus the tough government-soft economy, which developing countries prefer, in fact provides for authoritarian government and free economy.

#### How Shall "New Authoritarianism" Be Established?

There is no reason to believe that "new authoritarianism" will drag China back into traditional autocratic dictatorship. Yet, in view of China's current situation, this proposal to establish new authoritarianism may very well be exploited by ultraleftists as an excuse to suppress the democracy movement and dissidents. However, it would by no means be easy to return to the old ploy of "proletarian dictatorship" and to hermetic isolationism.

Legal scholar Zhang Zonghou [1728 1350 0624] recently stated, "To a certain extent, the problems plaguing reform during the previous stage stemmed from the lag in political restructuring and the lack of rule of law. We should take advantage of the opportunity afforded by the current effort to reestablish control, to consolidate, and to develop our backward legal system by sacrificing a little economic growth, so we can build up reserves for reform. If we fail to do this, consolidation will instead lead to a restoration of arbitrary rule by man and make administrative power supreme again. In that case, consolidation can only be a temporary help and will create no end of trouble for the future.

Thus if there is truly such a thing as "new authoritarianism," what will be needed is rule-of-law authority, not rule-of-man authority. However, the era of Mao Zedong's "defiance of law and heaven" is past, and even if some Chinese Communist leaders want to wield autocratic power, they will also have to wave the "rule-of-law" banner to do so. In arresting and slapping a heavy sentence on Wei Jingsheng, Deng Xiaoping too, resorted to "legal procedures." Deng's move was to maintain social "stability and unity," which are required if the four modernizations are to be realized. This can also be said to be the "new authoritarianism" of the post-Mao early reform period. Thus, even though this is new authoritarianism, it must be restrained systematically; otherwise it will degenerate and corrode. Thus new authoritarianism must also be subject to constitutional restraints lest it, too, be corrupted.

Of course, an even more important issue is how this "new authoritarianism" is to be established. Because of the way things are in China, the authority of Mao Zedong and Deng Xiaoping is dependent on guns; in other words, "Mao-Deng authority comes out of the



barrel of a gun." But even so, Deng Xiaoping's contribution to the founding of the CPC was much smaller than Mao Zedong's and thus Deng has less authority than Mao did. Hua Guofeng, moreover, fell from power because he was unable to establish his authority and was dependent solely on Mao Zedong's "with you in charge, my heart is at ease."

#### **The Authority of the Four Little Dragons Is Inapplicable to China**

As for the "four little dragons" of Asia, South Korea's Chun Doo Hwan, like his predecessor, Park Chung Hee, was a powerful military dictator; the status of Singapore's Lee Kuan Yew is almost akin to being "the father of the nation"; Taiwan's Chiang Ching-kuo, in addition to being Chiang Kai-shek's son and using some of the residual authority of his father, established his power naturally by being at the center of power for a long time, and authority in Hong Kong comes from the governor, who is appointed by the metropole, the UK.

The source of power in China differs from that of these countries and regions. The power of even Hu Yaobang and Zhao Ziyang comes from old men such as Deng Xiaoping, who manage state affairs from behind a screen. China has only old, not new authority. If new authority tries to knock over conservative forces straight off, it is bound to encounter opposition from, and may even be driven from the stage by, old authority. And if new authority arises by suppressing the popular democratic movement, what difference will there be between that authority and old authority? And how would that approach constitute "protecting the freedom of the individual"?

The greatest difference between the "four little dragons" and the Chinese mainland lies in the fact that the "dragons" practice private economy, whereas the Chinese mainland maintains a system of public ownership. Thus, even if the autocratic surface might be similar, the foundations are not. Besides political autocracy, China also practices economic autocracy, which has prevented her economy from developing properly. The "dragons," on the other hand, although autocratic politically, are more relaxed economically because they practice private ownership and have achieved economic takeoff only by providing some scope for free competition. Countries like the Philippines under former President Marcos also practice bureaucratic monopoly—transforming public treasure into private wealth and other people's possessions into one's own, as well as political autocracy, which practice only serves to keep those countries poor. Even more, of the "dragons," South Korea and Taiwan, though autocratic politically, are constrained by the United States; if they go too far in their authoritarianism the United States will intervene. The governor of Hong Kong is constrained by the democratic system of the British Parliament. And Singapore is influenced by her unusual international geographical environment and by other factors. None of these constraints is operable in China. But it should also be recognized that, as China

opens up to the outside world and her ties to the world economy grow, foreign investment, foreign borrowing, and the like will also begin to condition China's political and economic development, but these developments by no means dictate that China's economy will go the route of privatization. And outside influence will not have much effect on political pluralization.

#### **The Road to Privatization and Democracy**

Thus if we say that "new authoritarianism" requires certain conditions before it can emerge and if it is to be popularly accepted, then there are two principal conditions that must be met. First, is to adopt an iron-fisted approach, eliminate all obstacles, and go the route of privatization. Second is to go the route of political pluralization, namely, permitting, while maintaining authoritarian dictatorship, the existence of different political forces and the expression of different views.

These two conditions do not yet exist in China. Thus the only route available to her is to foster a movement for democracy, to fight to obtain from the people in power democracy and the right of freedom, and to promote development of real rule of law. Even if, during this process, social unrest occurs and the course of reform is adversely affected due to a relaxation of central power, there is nothing that can be done. When things do not work from top down, then the only route left to consider is bottom-up. One cannot blame the masses below for this; sole blame belongs to the fact that "the ruling class refuses voluntarily to withdraw from the stage of history." If enlightened elements among this class join the democracy movement of the masses and if "new authoritarianism" is engendered with the support of the masses, this new authoritarianism, which takes shape in the midst of struggle, is the only ideal type of new authoritarianism. In view of China's political, economic, and educational conditions, this road is very long. But we cannot not use this fact as an excuse to wait or to oppose the democratic movement and must instead aggressively fight for and promote democracy. This is also a reason why political restructuring must accompany economic restructuring. And any democratic movement will help hasten the birth of new authoritarianism.

#### **Tension, Security Measures in Beijing Recounted** 40050340a Hong Kong CHENG MING [CONTENDING] in Chinese No 137, 1 Mar 89 pp 18-19

[Article by Pai Chiao-t'ien 4101 0663 1131: "Tense Beijing"]

[Text] *At the order of CPC Politburo Standing Committee member Qiao Shi, Beijing public security authorities have strengthened the dictatorial functions of basic level organizations—neighborhood committees. More red-armed patrols have appeared on densely populated streets and residential districts. Most striking is the fact that "street grannies," who were most feared and hated during the Cultural Revolution, have made a return.*

### **The End of the Year Is Easy To Brave, but Crisis Looms**

A common saying among people in Beijing as they celebrated arrival of the year of the serpent was "a Wang Xiaor celebrates the new year; each year pales against the last." And the saying "the end of the year is easy to brave, but crisis looms" haunts people's souls. There are many signs that these sayings are not refractory grousing about food shortages but rather an expression of common alarm about the menacing moves taken by the Chinese Communist authorities who have come to realize they can no longer conceal the crisis.

### **The Street Grannies of the Cultural Revolution Period Have Reappeared**

This writer has learned that Beijing public security agencies have strengthened, at the orders of Qiao Shi [0829 4258], CPC Politburo Standing Committee member who is in charge of political-legal affairs, the dictatorial function of basic level organizations, neighborhood committees. Even before the year began, more red-armed patrols appeared in the warrens populated by the city's 7-plus million inhabitants. These "red guards" were selected by local police stations from among street and cul-de-sac residents, most of the appointees being activist retired workers or party and Youth League members. What is most striking is that the "street grannies," greatly feared and detested during the Cultural Revolution, have returned. Under orders to guard their neighborhoods day and night, these old ladies, both work days and days off, monitor and even interrogate people entering and leaving each courtyard or apartment building, especially people they think are suspicious, and keep a sharp lookout for any counterrevolutionary slogans that might sprout up on the walls of passage ways or buildings or on power line poles.

These street grannies had disappeared for 10 years after the Cultural Revolution. But as everyone knows, public security is deteriorating in the capital, thieves and crooks run rampant, and murders occur without end. In a building near the foreign embassy district outside the gate of Tong Zhi, the son of a vice minister recently was burned alive in his family's bathroom, and in another building of the same district the child of a couple posted in diplomatic service abroad and the child's nanny were killed in broad daylight. The police and "resident public security patrols" failed to prevent and even less have any hope of solving these crimes—probably because such crimes do not constitute "new trends in class struggle," which so absorb such entities! What alarms residents is that they are being carefully scrutinized by secret police agents, who are so pervasive that they cannot be guarded against. What Chinese is not afraid of proletarian dictatorship?!

### **Everyone Is Being Watched**

The situation in the university district and science city of Chung-kuan ts'un differs a bit from that obtaining in the city proper. Several tens of thousands of students were

away from school on winter vacation, so it was very quiet at Chinese New Year. There seem to be fewer red-armed patrols among the buildings of the old dormitory district of the science academies, probably because irritating measures have to be reduced in areas where intellectuals are concentrated; but nobody knows for sure how many plainclothes police there are. Professor Fang Lizhi, [2455 0632 5268] who lives in a new dormitory in the science city, greeted his visitor: "There's nothing to fear at my house; the police station is right nearby, so it's easy for the police to 'protect' us. They know that I invariably go to the observatory across the road every morning and that I stay at home quietly reading and writing after noon." He laughed when he was once asked if there were any bugs in his house: "I've had the guts to write Deng Xiaoping. Who else could I be afraid of?"

Of course, many experts and professors in the science city are not as afraid of the police or of "street grannies" as the average citizen. Even those people who were devastated by the Cultural Revolution do not admit to any "lingering trepidation." They fear no one but believe that clampdowns on students are very stupid and will backfire.

### **The Inner Story of the Effort by Beijing University To Rearrange Student Housing Assignments**

The Chinese Communist authorities have adopted new measures at Beijing University and other key institutions of higher education that college instructors and students will find even more revolting. I have learned that the letter Fang Lizhi wrote to Deng Xiaoping 6 January had to do with new developments on the eve of three big commemorative celebrations (the bicentennial of the French Revolution and the 70th and 40th anniversaries of the May Fourth Movement and the founding of the CPC), to which he devotes great attention, and especially the evil omen that occurred at Beijing University.

Before the new academic year began, Beijing University officials, under the guise of strengthening campus control and discipline, rearranged student housing assignments. Dormitories used to be assigned by school and department; that is, students in the same department and speciality were assigned to the same dormitory, and students of different years could end up in the same room. Experience with previous student movements, however, has taught school officials that the hardest students to restrain are freshmen and sophomores, who are more passionate, form the basic ranks of school rallies, serve as the vanguard of street demonstrations, and fear nothing. As to the masterminds and instigators, theories abound. Most of the good big-character poster brushers are upperclassmen, who also have closer relations with graduate students and young and middle-aged professors and are dissidents and "liberals" who are hard to deal with. Therefore, the authorities concluded letting students of different years room together invariably

leads to uncontrollable student movements, so the different class years must be subdued through divide-and-rule tactics, which means segregating students by class year and housing upperclassmen farther away from underclassmen. Moreover, students of different class years assigned to the same dormitory rooms now study different subjects, and those with more onerous course-loads (such as the natural sciences) serve as a restraint on roommates with lighter course-loads (such as grammar "literature and law"); there is less ideological communication among students so housed; and it is easier to divide and conquer students this way.

#### Having Retired Army Men and Special Agents Control Students

To keep students under control, to maintain close tabs on their thoughts and activities, and to nip the bud before it bursts, the school party committee feels its work must focus on effecting control of student dormitories. There are several tens of dormitories at Beijing University, and there are foreign student, advance training student, and graduate student dormitories as well. Its size and complexity are much greater than even the largest residential district in Beijing, so the "simple and pure proletarian" street grannies Chinese Communist security organs use to guard and patrol residential districts will not work in the university sector; retired army men and plainclothes public security agents are the only choice. Thus new "supervisors" were posted in all student dormitories at Beijing University before the new academic year began, replacing the handful of janitors and receptionists who used to guard the doorways. As for the campus police, who used to be few in number, well, they were long ago reorganized, expanded, and placed under the dual command of the security department of the school party committee and of public security organs; a public security substation has been established on campus; and armed police now man campus gate houses.

#### The Best Act Is Yet To Come

Preliminary reports are that the Chinese Communist public security authorities are carrying out Beijing University's pilot "public security" program at other key universities. The effectiveness of these efforts remains to be seen. However, some instructors at Beijing University, especially old professors who witnessed the various tricks employed by Kuomintang officials to suppress student movements, believe that military police and special agents cannot cope with students. These old professors recall that in those days, too, students ran about campaigning against civil war, hunger, and dictatorship and for freedom and democracy and that the Kuomintang authorities refused to repent and mend their ways, instead vented their wrath on the masses of students, and also used divide-and-rule and other heavy handed tactics. With respect to the old Kuomintang approach, "*vox populi* is harder to control than rivers." Yet who would have thought that the old masterful instigators of student movements, such as Hu Qili and Qiao Shi, would copy the methods of Chen Lifu, and other

"counterrevolutionaries" of those days and use similar heavy handed tactics in dealing with ardent youth? This truly is the height of stupidity. One can imagine the fate that awaits these contemptible buffoons, whose bag of tricks is empty! The best act is yet to come.

#### Reprinted 1979 Article Calls for Democracy 40060342 Hong Kong CHENG MING [CONTENDING] in Chinese No 137, 1 Mar 89 pp 29-31

[Article by Wei Jingsheng 7614 0079 3932: "Which Do We Need—Democracy or Dictatorship?"; reprint of article published in TAN SUO 25 Mar 79]

[Text] Everyone today knows that the undemocratic nature of China's social system has seriously impeded development in all aspects of Chinese society. Faced with this grim fact, the Chinese people confront two choices: (1) They must reform the social system if they want society to progress and to improve their lives and production; if they want to continue Mao Zedong-style proletarian dictatorship, there will be no democracy, and it will be impossible to modernize life and production. Contemporary China stands at a crossroads at which there is no other choice.

Where is China headed? You can tell from the mood of the majority of people in what kind of social environment the people want to live and produce. It is this mood that has sparked today's democratic movement, the goal of which is to repudiate the Maoist dictatorship by reforming the social system so that China can improve its life and production in a democratic environment. This goal is not that of certain individuals, but the general trend in China's social development. Whoever recognizes the necessity of these goals stands at the forefront of the tide of history. Whoever opposes and attempts to thwart realization of these goals or uses deception to lead the movement astray will be condemned by history. And who ever suppresses this movement, which is truly of the people, is a real butcher. No historical judgment is needed for the latter two types of people; the courtroom of the people's minds will judge his crimes, and the judgment will be stern and irreversible. Due to the temporary disparity in power "among the various social forces," the influence of this court might not be immediately apparent, but history will demonstrate that that influence is invincible. Disbelievers should think back to the April 5th Movement of 1976, and ask themselves whether or not the people, even the most powerful, who were judged by the court of the people's minds, were able to escape punishment.

But are there people who do not fear this punishment? Of course, there are, and many of them, too. Many people in power are infatuated with the power they hold and often forget that the court of the people's minds metes out punishment, and the matter is often ignored by those people whose ambition is to establish their own personal dictatorship and who exploit the people's credulity for their own despicable ends. For example, in a

speech to leading cadres of central ministries and commissions on 16 March, Vice Chairman Deng Xiaoping tried to use the people's previous trust in him to oppose the democracy movement. He accused the movement of all sorts of crimes and tried to blame the democratic movement for all the economic and production problems the Hua-Deng political system cannot resolve, and once again attempted to make the people the scapegoats for the failure of Hua-Deng policies.

Does Deng Xiaoping deserve the trust of the people? We believe that, as an individual, no political leader merits unreserved trust. We should trust leaders if the policies they carry out benefit the people and if the road the leaders take leads to peace and prosperity. What we trust is their policies and the roads they take. We should oppose leaders if their policies undermine the interests of the people and if the road leaders take is dictatorial or opposed to the people. The people oppose policies that are detrimental to the people's interests or that violate the people's legitimate rights and roads that oppose the people. The principle of democracy requires that all authority must submit to the opposition of the people.

But Deng Xiaoping does not submit. When the people universally demanded that responsibility be fixed for China's backwardness over the past three decades and that Mao Zedong's crimes against the people be established, Deng stepped forward and declared, "Without Mao Zedong, there would be no new China." Then, in his 16 March speech, Deng not only stubbornly stuck to this view, he openly praised Mao as the banner of the Chinese people and said that Mao's shortcomings and errors were insignificant.

Does Deng fear that establishing the errors of Mao Zedong will implicate Deng's partners? Or does Deng plan to continue the socialist politics of the Maoist dictatorship? If it is the former, Deng really has no need whatsoever to fear, for the people are sufficiently tolerant to forgive him for his past errors so long as he leads the nation toward democracy and prosperity. If it is the latter, we absolutely must not forgive him, for no matter how good he was in the past, as long as his goal is to perpetuate Maoist dictatorship he will ultimately ruin the national economy and violate the people's rights. Anyone who forgives such a criminal indirectly commits a crime against the people.

Does Deng Xiaoping want democracy? No. He refuses to go and acquaint himself with the miserable lives of the people and to let the people take back their rights that were seized by megalomaniacs, and claims that all spontaneous popular movements to win democratic rights are exploited by troublemakers, undermine proper order, and must be suppressed. This is how he treats everyone who criticizes policy blunders and who demands that society progress, which fact proves that he is very afraid of popular movements.

We cannot help but ask: What is your definition of democracy? If the people do not even have the right to express their views—namely, the right of freedom of speech—what democracy is there to speak of? If what you mean by democracy is not allowing others to criticize officials, what difference is there between this democracy and "democracy under the dictatorship of the proletariat," which Mao Zedong used as a smoke screen for his dictatorship.

The people assemble because they want to appeal for redress, to vent their grievances, and to demand democracy, and they march in opposition to starvation and dictatorship. This is the proof that their lives cannot be secure in the absence of democracy. Do you mean to say "proper order" means that the people are to be powerless and at the beck and call of other people and that their lives are not to receive even minimal protection? If this "proper order" means protecting the freedom of dictatorial megalomaniacs to trample the rights and interests of the people, then who does this order benefit—megalomaniacs, or the people? Isn't the answer patently obvious? We believe that proper order does not mean tidy uniformity. Especially politically, only when all types of opinions exist can the situation be called proper and normal. Absence of different opinions, of expression of all sorts of views, and of a variety of publications representing the views of all kinds of people is proof that a dictatorship exists. Thus it is tidy uniformity that ought to be called "improper order." Using social phenomena, such as the fact that a handful of real criminals exploits the situation to stir up trouble, as a pretext with which to deprive the people of their right to express their opinions is an customary ploy of dictatorial fascists, both old and new. Recall the Tiananmen Square incident. Didn't the gang of four use the excuse that people were burning automobiles wantonly to suppress the people's revolutionary movement? In resorting to a similar pretext, is Deng Xiaoping trying to use even more cunning measures to effect similar suppression? The people must be sure to heighten their vigilance and not be so ready to place their trust in rulers who are not subject to popular supervision and restraint.

The people must be wary lest Deng Xiaoping degenerate into a dictator. After being reinstated in 1975, he appeared to eschew Mao Zedong's dictatorial absolutism and to esteem the rights and interests of the people, so the masses eagerly hoped that he would continue this policy and were willing to support him with their blood (such as in the Tiananmen Square incident). Were the masses supporting Deng himself? Absolutely not. Excluding his willingness to fight for the rights and interests of the people, there is nothing about Deng himself that merits popular support. Now that he has taken off his democratic mask, moved to suppress the popular democratic movement, prepares completely to oppose to democracy, and strongly supports dictatorship, he no longer deserves the people's trust and support. For his actions have shown that he is not aiming at

democracy and no longer supports the rights and interests of the people and that he has duped the people into trusting him so he can effect dictatorship.

Chinese history has repeatedly demonstrated this truth: Dictators can get away with what they want only after they dupe the people into trusting them. As the ancient adage puts it, you win the realm by winning people's hearts. Once they win the realm, their interests invariably conflict with those of the people, so they invariably aim the spearhead of suppression against heroes who fight for the people's interests. Thus the key issue is not who wins the realm, but rather that the people should not let anyone seize the realm from their hands. The people should clutch the realm firmly; this is democracy. Men whom the people entrust to administer the government and to exercise power on their behalf must be restrained by and responsible to the people. China's Constitution stipulates that only the organs and individuals who are elected by the people; elected, appointed, and restrained by the government; and supervised by and responsible to the people are legally entitled to exercise administrative power.

We would like to ask those big government officials who are instigating the move to arrest people a question: Is the power you are using legal? We would like to ask Chairman Hua and Vice Chairman Deng a question: Is your occupation of the premiership legal? We would like to know: Is it legal to issue an order to make arrests in the name of the vice premier and the vice chairman rather than in the names of the courts or of popular representative institutions? Further: What provision of Chinese law says that being a "bad man" constitutes a criminal offense? And what, after all, is the standard for being a bad man? Whose view sets the standard? With such simple questions unclarified, China will have no rule of law.

History tells us that there must be a limit to how much trust you can put in anyone. Any individual who expects to win unlimited trust from the people is a megalomaniac. An important question is: Whom should the people trust? Even more important is: How should these men in whom the people place their trust be supervised as they carry out the will of the majority. We cannot gullibly believe that anyone would be willing to serve the rights and interests of other people; even less can we gullibly believe that anyone would be willing to sacrifice his own interests for those of other people. We can only believe people who work as our agents under our supervision, who are responsible to us, and who are selected by, not forced upon, us. The question of whether [such men] have the authority to use government power must turn first and foremost on whether they have violated or are preparing to violate the people's fundamental democratic rights. Without exception, anyone who refuses to accept supervision by popularly elected organs or who prepares to violate the fundamental democratic rights of the people can only be an enemy of the people. We believe that these people who are the real "bad men," as defined in the people's minds.

If the people are to transform the government and its leaders into servants of the people, the people first of all must firmly grasp the power of appointment and supervision, and safeguards must be established for the rights and procedures of election and recall. Only unadulterated, universal elections can create governments and leaders that serve the rights and interests of the electorate. If the government and the leaders are truly elected and supervised by the people, this environment would help transform the hunger for power and megalomania of the leaders. We should not blame leaders for being prone to hotheadedness and for failing to work for the well-being of the people. And we should not blame the people for being ignorant and for being afraid to fight for their own interests. All of this stems from the fact we lack a social system that enables the people, who are intelligent, to supervise officials, who are virtuous and wise. Thus we believe that reform of the social system and democratizing Chinese politics are essential if we are to resolve China's current social and economic problems. Only when leaders are selected by the led can they win the willing cooperation and unleash the enthusiasm of the led. Only when the led are fully able to express their views can they help leaders analyze issues and resolve problems and unleash everyone's full wisdom and intelligence. And only through cooperation and the pooling of the wisdom and efforts of everyone can we ensure optimal efficiency and achieve the best results in our work. This is the only path that will work for China, but given conditions in our country, it will be a most difficult path.

#### **Qian Jiaju Memoir on Democratic Parties**

40050343 Hong Kong MING PAO YUEKAN [MING PAO MONTHLY] in Chinese No 279, Mar 89 pp 92-97

[Third of a Series on the Memoir of Qian Jiaju 0578 1367 7467: "Family and National Events in 80 Years of My Life—A Witness of Changes in Four Regimes"]

#### **[Text]China's Democratic Parties**

Last time I discussed the Antirightist Struggle, which was aimed mainly at intellectuals, especially intellectuals of democratic parties. Now I would like to discuss the issue of China's democratic parties. Mainland China now has eight democratic parties. They are the KMT Committee (the China Kuomintang Revolutionary Committee), the Democratic League (the China Democratic League), the Construction Association (the China Democratic National Construction Association), the Democracy Promotion Association (the China Association for Promoting Democracy), the Peasants and Workers Party (the Chinese Peasants and Workers Democratic Party), the China Zhi Gong Dang, the Jiu San Society, and the Taiwan League (the Taiwan Democratic Self-Government League). If we include the All-China Federation of Industry and Commerce, whose nature is similar to that of democratic parties, there are a total of nine democratic parties. Among them, the KMT Committee, the Democratic League, and the Construction Association are the most outstanding, and the Democratic League is

the oldest. Mr Liang Shuming [2733 3359 3298] recommended me for the membership of the China Democratic League in the Winter of 1944. During the War of Liberation (1946-48), I was the secretary general of the Southern General Branch of the Democratic League. Later I became a member of the league's central committee and a standing committee member and deputy secretary general of the league's central committee. Now I am vice chairman of the league's central committee. Because of these experiences, I have a fairly good knowledge of the league's history.

The China Democratic League (CDL) was originally called the China League of Democratic Political Parties, which was founded in 1941 during the hardest time of the War of Resistance Against Japan. In the Winter of 1940, during the second anticommunist upsurge, the KMT started the Wannan Incident. As a result, Ye Ting [2814 2185], commander of the New Fourth Army, was captured, Xiang Ying [7309 5391], vice commander, was killed, and the friction between the KMT and the Communist Party of China (CPC) worsened day after day. Some patriots who did not belong to either of these two parties planned to organize a third force to ensure a balance between the two parties, to promote unity, and to carry on the War of Resistance Against Japan. Before this, in 1939, some members of the National Political Council and some nonmembers belonged to the Association of Comrades for Unified National Construction, which was an organization in the wartime capital Chongqing. Among its members were Zeng Qi [2582 3823], Zuo Shunsheng [1563 5293 3932], and Li Huang [2621 3874] of the Youth Party; Zhang Junmai [1728 0689 0535] and Luo Longji [5012 7127 1015] of the National Socialist Party; Zhang Bojun [4545 0130 6874] and Qiu Zhe [8002 0772] of the Third Party; Shen Junru [3088 6874 0320] and Tao Fen [7290 1164] of the National Salvation Society; Huang Yanpei [7806 3508 1014], Jiang Hengyuan [3068 1854 3293], and Leng Yu [0397 4245] of the Vocational Education Society; Liang Shuming of the Rural Construction Group; and Zhang Lan [1728 3482] and Guang Sheng [0342 2573], who had no party affiliation. This was the predecessor of the China League of Democratic Political Parties. In 1941, the contradiction between the KMT and the CPC sharpened and adversely affected unity in the War of Resistance Against Japan. Responding to the CPC's call "persist in the War of Resistance, oppose capitulation, persist in unity, oppose division, persist in advance, and oppose regression," they thought that the loose organization of the Association of Comrades for Unified National Construction was no longer suitable for the severe political situation. So they considered establishing the China League of Democratic Political Parties on the basis of the original Association of Comrades for Unified National Construction.

#### **CDL Receives Substantial Support From the CPC**

When the China League of Democratic Political Parties was first established, it included three parties and three groups. The National Salvation Society was not among

them. The three parties were the China Youth Party (headed by Zeng, Zuo, and Li), the National Socialist Party (later changed to the People's Socialist Party, headed by Zhang Junmai and Luo Longji), and the Third Party (later changed to the Chinese Peasants and Workers Democratic Party, headed by Zhang Bojun). The three groups were the China Vocational Education Group, headed by Huang Yanpei; the Rural Construction Group, headed by Liang Shuming; and the Nonparty Group, headed by Zhang Lan (the Nonparty Group was a group of people who did not belong to any party or group and were thus considered a group of their own). Why was the National Salvation Society not included? The National Salvation Society was represented by Shen Junru, Zou Taofen [6760 7290 1164], and Shi Liang [0670 5328]. They were told that since the China League of Democratic Political Parties was just established, it would be better for it to have a gray attitude in order to gain the recognition of the KMT and a legal status. The National Salvation Society was too close to the CPC (many members of the society were communists). In the eyes of the KMT authorities, the National Salvation Society was the tail of the CPC. So, they were told to wait until the China League of Democratic Political Parties gained its legal status. Although the National Salvation Society did not join officially, because it had vigorously supported the establishment of the CLDPP, their actions were in unison.

However, Chiang Kai-shek still refused to legalize the founding of such a gray political organization. What could they do? They came up with a good idea—first announcing its establishment abroad and then striving to gain a legal status at home. At that time, the Pacific War had not begun and Hong Kong was still a haven of peace. Hong Kong was a British colony, and Britain was neutral in the Sino-Japanese War. After the War of Resistance began, all political forces at home had some people working in Hong Kong. Some of them were originally leftists in the KMT, such as Song Qingling, He Xiangning [0149 7449 0413], and Liu Yazhi [2692 0068 1311]. Others were refugees who fled to Hong Kong to escape persecution by the KMT, such as Tao Fen, Xia Yan [1115 5888], Fan Changjiang [5400 7022 3068], and Qiao Guanhua [0829 0385 5478] (I was also among them). There were also some rich businessmen from Shanghai, such as Yu Qiaqing [5713 3174 0615], Du Yuesheng [2629 2588 4563], and Lin Kanghou [2651 1660 0186], who came to live in Hong Kong because they did not want to be prisoners in the Japanese-occupied areas and could not stand the hardship of living in the rear areas. There were all kinds of people in Hong Kong. In view of this situation, the China League of Democratic Political Parties sent Liang Shuming to Hong Kong to start a newspaper. It was not that difficult to start a newspaper in Hong Kong. But, where was the money? The China League of Democratic Political Parties discussed this with Mr. Zhou Enlai. Zhou said that the CPC could provide great support. So, Liang came to

Hong Kong in June 1941 and founded "Guangming Bao." Liang was the publisher, Sa Kongle [5646 4500 0055] was the manager, and Yu Songhua [0205 7313 5478] was the chief editor.

GUANGMING BAO started publication on 18 September 1941. On 10 October, it announced that an organization was established at home under the name of the China League of Democratic Political Parties and published the declaration of its founding and its political program. The first, second, and third items of its political program were: "Continue to support resistance against Japan, restore the integrity of territorial sovereignty, and oppose compromise"; "implement democratic spirit, end rule by party, and establish national affair consulting organs for all parties and groups before a constitutional government is established"; and "strengthen unity at home and normalize relations between different parties and groups by making fundamental adjustments of their recent disagreements." Then KMT member Sun Ke [1327 4430] happened to be in Hong Kong at the time. As soon as he saw the paper, he called a press conference, accusing Liang Shuming of "swindling and bluffing" and asserting that there was no such organization in Chongqing. This forced comrades of the China League of Democratic Political Parties in Chongqing to come out and declare their position. So founders of the league in Chongqing used the names of Zhang Lan, Zhang Bojun, Luo Longji, and Zuo Shunsheng to invite a group of government officials, including KMT and CPC members, to a tea party. At the party, they announced that there was indeed such an organization as the China League of Democratic Political Parties in Chongqing and that they were the responsible persons of this organization. This was how the league gained its open and legal status.

When the China League of Democratic Political Parties was first established, Huang Yanpei (called the Revered Ren [0117] hereafter) was chosen at a secret meeting to be the chairman of the league's standing committee. The revered Ren was a veteran of Chinese educational circle. He was honest and upright. However, since he was also worldly wise, he was determined not to accept the job. Later, Zhang Lan (or Biao Fang [5903 2455]) was chosen to be the chairman. Advanced in age and ability, the revered Biao enjoyed high prestige in the political circle of Sichuan Province. He served as the chairman of the league until he passed away after the liberation.

This shows that the China League of Democratic Political Party received vigorous support from the CPC as soon as it was established. However, since it was an organization of the united front, its composition was very complicated. At first, it did not admit the National Salvation Society on the ground that it was too "left." It did not admit it until 6 months later. Later, the China League of Democratic Political Parties changed its name to the China Democratic League and began to admit individual members. The organization of the CDL included various parties and groups whose political ideas

were not all alike except for continuing to support resistance against Japan and opposing division. Because of this and the KMT's attempt to win people over and divide them, it was inevitable for the CDL to split up within its organization. In 1947, the KMT declared that it would unilaterally convene a national congress. The China Youth Party and the People's Socialist Party decided to attend, but the CDL Headquarters decided not to attend. As a result, the China Youth Party and the People's Socialist Party seceded from the CDL while the KMT declared the CDL an illegal organization and forced it to disband. The public notice of disbandment was issued under the name of Zhang Lan, chairman of the CDL on 6 November 1947. This turned the CDL into an illegal underground organization.

#### A Change From Neutral to Leftist

At this time, I was in charge of work at the Southern General Branch of the CDL in Hong Kong. The Southern General Branch of the CDL, located in Hong Kong, was equivalent to the overseas general branch of the CDL. In addition to the Democratic League organization in Hong Kong, the Southern General Branch also controlled CDL organizations in Singapore, Malaysia, Jakarta, Burma, and London. The chairman of the Southern General Branch of the CDL was Li Zhangda [2621 4545 6671], veteran KMT member, who once served as chief of security police for Sun Yat-sen, and chief of the Guangzhou City Public Security Bureau before the Northern Expedition. He belonged to the generation of Liao Zhongkai [1675 0112 0418] and Chiang Kai-shek. After the liberation, he served as a member of the Central People's Government as well as the deputy governor of Guangdong Province. Vice chairmen of the Southern General Branch of the CDL were Peng Zemin [1756 3419 3046] and Chen Rutang [7115 3067 2768]. The secretary general of the Southern General Branch was Di Chaobai [3695 6389 4101] (CPC member), who was later replaced by me. After the CDL headquarters was disbanded, Shen Junru and Zhang Bojun secretly came to Hong Kong via Shanghai to convene the Third Plenum of the CDL Central Committee and issue a declaration. The declaration stated that the CDL: 1) refused to recognize the disbandment of its headquarters; 2) would overthrow the counterrevolutionary government of the KMT; and 3) agreed to vigorously cooperate with the communist party. As a result, the CDL changed from a neutral group between the KMT and the CPC to a group leaning toward the CPC. Furthermore, the Democratic League had always hoped to change the U.S. position of aiding Chiang, so at the Third Plenum of the CDL Central Committee, it openly declared that it "opposed the U.S. counterrevolutionary policy of invading China."

The China Democratic League has been a united front organization before and after the Third Plenary Session of the 11th Party Central Committee. Members of the league include not only little parties like the Peasants and Workers' Party, the Salvation Society, and the



Vocational Education Society, but also CPC members, who occupy particularly important positions in the league's leading body. For instance, Yang Mingxuan [2799 2494 6513], Gao Chongmin [7559 1504 3046], Hu Yuzhi [5170 0205 0037], and Chu Tunan [2806 0956 0589], who have served either as chairman or as vice chairman of the CDL, are all communists. The position of secretary general, in particular, is always held by communists because secretary general controls the real power while chairman and vice chairman are only figureheads. This is not only so with the CDL. It is the same with all democratic parties. Secretary generals of all democratic parties are all held mostly by communist members. During the initial period of liberation, the secretary general of the CDL was Zhou Xinmin [0719 2450 3046], CPC member, who was later replaced by Xu Shouxuan and Hu Yuzhi, who were both communists. The only exception was Zhang Bojun, who was the secretary general of the CDL for a brief period before the Antirightist Movement in 1957. However, it taught the CPC a lesson. That is, if secretary generals were not in the hands of communists, democratic parties would start demanding independence. Today, many overseas Chinese scholars hope that the CDL or other democratic parties would develop into opposition parties in China. This is unrealistic. They have such an unrealistic idea because they do not understand the historical background of democratic parties in China.

The CDL has the longest history among all democratic parties. Many CDL members became leaders of democratic parties which were founded later. For instance, Huang Yanpei of the China Democratic National Construction Association, Zhang Bojun of the Chinese Peasants and Workers Democratic Party, and Ma Xulun [7456 0650 0243] of the China Association for Promoting Democracy were concurrently vice chairmen of the CDL and chairmen of their own parties. Even many KMT leaders and officers, who opposed Chiang, also secretly joined the CDL. For instance, Long Yun [7893 0061], former Governor of Yunnan Province (represented by Miu Yuntai [4924 0061 0669], and Liu Wenhui [0491 2429 6540] of Xikang, were secret members of the CDL. Li Zhangda, Chen Cisheng [7115 2974 3932], Mei Gongbin [2734 7895 1755], and Chen Rutang, who later joined the KMT Committee and became its backbone forces, were once Democratic League members and in charge of important tasks at the Democratic League.

#### **The KMT Committee: Leftist in the KMT**

Most members of the China KMT Revolutionary Committee were leftists of the KMT. The predecessor of the KMT Committee was "the Little Revolutionary Committee," (short for the China League of Democratic Revolution). Founded in 1941, it was an underground organization that granted membership to communists and was under the leadership of the CPC. Among the members of the Little Revolutionary Committee were Wang Kunlun [3769 2492 1510], Xu Baoju [6079 1405 7467], Wang Bingnan [3769 3521 0589], Deng Chumin

[6772 0443 3046], Qu Wu [1448 2976], Yang Hansheng [7122 5060 4563], Gao Chongmin, Liu Zhongrong [0491 0112 1369], Hou Wailu [0186 1120 1687], Yan Baohang [7051 1405 5300], Wu Maosun [0702 5399 5549], Tan Tiwu [6223 1912 0710], and Cao Mengjun [2580 1322 0689]. A small number of these members were also communists. Wang Kunlun and Xu Baoju were major responsible persons of the Little Revolutionary Committee. Wang Bingnan, openly known as a communist, served as the liaison of the committee.

In February 1943, backed by the Southern Bureau of the CPC Central Committee, Tan Pingshan [6223 1627 1472] (main communist member during the first KMT and CPC cooperation period, once served as agricultural minister in the Wuhan Government, and later gave up the party membership), Wang Kunlun, Chen Mingshu [7115 6900 2873], Yang Jie [2799 2638], Guo Chuntao [6753 2504 3477], and Zhu Yunshan [2612 5686 1472] organized a forum of democratic comrades in Chongqing. Through the form of discussion of current events, they contacted and united high-ranking progressive personnel of the KMT. In June 1943, 10 people including Tan Pingshan, Chen Mingshu, Yang Jie, and Wang Kunlun, formed a preparation committee on the basis of the forum to start preparation for the establishment of an organization. The organization was initially called "the Chinese Federation of Democratic Comrades of the KMT," which was later changed to "the Federation of Comrades of the Three People's Principles (abbreviated as the people's federation hereafter).

After the Pacific War broke out in 1941, some democratic patriotic personages of the KMT in Hong Kong, such as He Xiangning, came to Guilin to frequently meet with and discuss the current political situation with those democratic progressive personages who were already there, such as Li Jishen [2621 3444 3234], Li Renren [2621 0117 0088], Chen Shaoxian [7115 0508 0341], and Chen Cisheng. They deemed it necessary to change the erroneous policy of the KMT ruling party and restore the three major policies of Sun Yat-sen. They wanted to unite all KMT members who were not content with the status quo in addition to non-KMT democratic personages. Li Jishen and He Xiangning also sent people to contact Feng Yuxiang [7458 3768 4382], Long Yun, and other strong local forces in Guangxi, Guangdong, and Hunan. Then Li Jishen was the director of the Guilin Office of the KMT Military Commission. Under his cover, many anti-Japanese democratic personages were united. In 1944, Japanese invaded Guangxi and occupied Guilin. Li Jishen went back to his hometown Caowu County of Guagnxi Province. He Xiangning, Chen Cisheng, and Chen Shaoxian went to Zhaoping and Hexian counties of Guangxi Province. Cai Tingkai [5591 1694 6946], officer of the 19th Army, led part of his former troops and resisted Japanese in Luoding. He also established contacts with Li Jishen. After Chinese won the War of Resistance Against Japan, preparations carried out by Li Jishen, He Xiangning, and Cai Tingkai to establish an organization of the democrats of the



KMT were materialized. They named it the China Association for Promoting Democracy, which was later changed to the "China Association of the KMT for Promoting Democracy (abbreviated as the Democracy Promotion Association).

Above are three small organizations of democrats within the KMT—"the Little Revolutionary Committee," "the People's Federation," and "the Democracy Promotion Association." In order to unite and centralize the leftist forces of the KMT and coordinate their efforts, Li Jishen and He Xiangning wrote a joint letter to Tan Pingshan, Liu Yazhi, and Guo Chuntao in Shanghai in the Fall of 1947. The letter said: "It is extremely urgent for the democrats of the KMT to centralize their forces and restore the name of their leadership at home and abroad. We wish you could come to Hong Kong immediately and help us work everything out." Li Jishen, He Xiangning, Liu Yazhi, Li Zhangda, Peng Zemin, and Chen Qiyuan [7115 0366 3850] also wrote Mrs. Sun, Song Qingling, asking her to come to Hong Kong and take charge of work here. Although Song did not make the trip, she approved and supported the establishment of the joint organization of the democrats of the KMT. After that, representatives of the People's Federation, the Democracy Promotion Association, and other progressive elements of the KMT gathered in Hong Kong one after another. After repeated discussions, they decided to form a preparation committee for the Joint Congress of the Democrats of the KMT of China and chose Li Jishen, He Xiangning, Liu Yazhi, and Cai Tingkai to be members of the committee. The First Joint Congress was held in Hong Kong on 12 December 1947. Over 110 delegates attended. Twenty people, including Song Qingling, Li Jishen, Feng Yuxiang [7458 3768 4382], and He Xiangning, were elected to the presidium, with Song Qingling as chairman and Li Jishen as vice chairman. On 25 November, the congress held its second plenum. On 1 January 1948, the congress adopted relevant documents, elected the Central Executive Committee of the China KMT Revolutionary Committee, chose Song Qingling as honorary chairman, Li Jishen as chairman, and 71 members as the executive committee including Li Jishen and He Xiangning. This was how the KMT Revolutionary Committee was established.

#### **Democratic Construction Association Represents the Interests of the National Bourgeoisie**

The third biggest democratic party in China is the China Democratic National Construction Association (CDNCA), which represents the national bourgeoisie of China and is headed by Huang Yanpei and Zhang Naiqi [4545 0035 4382]. The CDNCA was founded in Chongqing after China won the War of Resistance in 1945. Its members mainly came from the upper-middle class of Chinese industrial circles. Huang Yanpei, one of the major initiators, was a noted educator in China. The founder of the Chinese Vocational Education Society was also a patriotic democrat. In July 1945, they and other five celebrities visited Yanan in an effort to urge the KMT and the CPC

resume talks. After they returned, they wrote a pamphlet called "Return From Yanan," which expressed great respect and admiration for CPC leaders and the Yanan border district under their leadership. After China won the War of Resistance, peace and democratic movements sprang up throughout the country. The revered Ren prepared to organize a political group based on intellectual, industrial, and commercial circles. Helping the revered Ren were people from industrial and commercial circles, including Yang Weiyu [2799 5898 3768], vice chairman of the board of the China Vocational Education Association; Hu Juewen [5170 0628 2429], chairman of the board of the Federation of Qianchuan Factories; and Zhang Naiqi, one of the "Seven gentlemen" of the National Salvation Society and responsible person of the China Industrial and Economic Research Institute. Also participating in the preparation work were scores of people including Wu Gengmei [0702 5036 2734], Hu Xiyuan [5170 6007 0954], Li Zhuchen [2621 3608 1057], economist Shi Fuliang [2457 1788 0081], educator Sun Qimeng [1327 6386 1322], local banker Huang Mohan [7806 1075 3211], and Zhang Yuanshan [4545 0337 0810] of the Huayang Charity Society. After repeated meetings and discussions, the CDNCA was finally established on 16 December 1945. The meeting was chaired by Huang Yanpei, Hu Juewen, and Huang Mohan. It adopted a declaration, a political program, organizational principles, and rules and regulations. It also elected 37 board members and 19 supervisors. The board of directors elected 11 permanent board members including Huang Yanpei, Hu Juewen, Zhang Naiqi, Li Zhuchen, and Shi Fuliang.

The declaration of founding of the CDNCA advocated "balance between the United States and the Soviet Union" in international relations and "peaceful reunification and democratic centralization" in domestic politics. With regard to relations between different political parties, it suggested that "all parties must be forbearing and conciliatory with each other on the prerequisite of national interests." With regard to political organizations, it suggested that "army nationalization should be achieved through political democratization, and direct general elections should be carried out to elect assemblies at all levels, which will then exercise political powers at all levels." With regard to economic construction, it advocated "democratic economic construction plans and full business freedom under the guidance of planning." It also held that "at the present stage, the state must go all out to boost capital instead of eliminating capital in the name of economizing capital." This shows that the political and economic principles of the CDNCA completely represent the interests of national bourgeoisie. Most members of the CDNCA were also capitalists of medium- and small-sized industries with Hu Juewen of the Qianchuan Factory and Li Zhuchen as their center. However, this mild political organization, which represented the interests of national bourgeoisie, could not be tolerated by the autocratic regime of the KMT. Huang Jingwu [7806 4552 2976], Huang Yanpei's son, was eventually killed by the KMT counterrevolutionaries at the eve of the liberation of Shanghai. The

CDNCA too went underground. In 1948, the CPC issued a slogan for "May 1st" Labor Day and called on "all democratic parties, mass organizations, and prominent personages of society to quickly attend the political consultation conference to discuss and convene a people's congress to form a democratic coalition government." As soon as it learned of this event, the CDNCA quickly called a secret meeting of board members and supervisors in Shanghai to respond to the CPC's call. It supported the CPC's proposal on preparing for the convocation of a new political consultation conference. In November of the same year, the CDNCA decided to send three delegates—Zhang Naiqi, Shi Fuliang, and Sun Qimeng—to the liberated area to help prepare for the new political consultation conference.

Above is the process of the founding of the CDNCA and its brief history. In addition, what was the criterion for the democratic parties which the CPC recognized after the liberation? The criterion was whether or not they supported the "May 1st" Labor Day slogan in 1948. All those which did were recognized as democratic parties by the CPC. All those who did not were not recognized. This was a very important line of demarcation, which everyone who studies the modern history of China must know about.

The KMT Revolutionary Committee, the CDL, and the CDNCA are the three biggest democratic parties of mainland China. There are five others, namely the China Association for Promoting Democracy, the Chinese Peasants and Workers Democratic Party, the Zhi Gong Dang, the Jiu San Society, and the Taiwan Self-Government Democratic League. Let us talk about their history.

#### **Democracy Promotion Association Focuses on Cultural and Educational Circles**

The Democracy Promotion Association was an intellectuals' organization headed by Ma Xulun. Most of its members were from cultural and educational circles. Ma Xulun was also called Yi Chu [1138 0443] (or Yi Chu [1744 0443]). He was a senior professor at the Beijing University and a veteran in Chinese educational circles. He served as acting vice minister of education under the Northern Government, vice minister of education under the Nanjing KMT Government, and the first minister of education under the CPC Government after the founding of new China. He was a friend of Zhang Taiyan [4545 1132 3508]. He said he found "his friendship among teachers and friends." He was also a close friend of Cai Yuanpei [5591 0337 1014], Lu Xun [7627 6598] brothers, and Jiang Menglin [5592 1125 7792]. During the War of Resistance, he suffered from both poverty and sickness. Secluded from the rest of the world in Shanghai, he devoted all his time and efforts to writing and did not yield to the temptation and threat of the enemy and the puppet regime. After China won the War of Resistance, he was zealously engaged in the anti-Japanese democratic movement. By loudly appealing to the public, he exposed the autocratic rule of the KMT. At the

end of 1945, he and other progressive intellectuals in cultural and educational circles jointly founded the China Association for Promoting Democracy. In June 1946, he joined and led the Shanghai people's peaceful petition group in a petition to Nanjing. He was seriously wounded after being beaten by KMT secret agents. This was the "Xiaguan Incident," which shocked both China and foreign countries. In the Winter of 1947, he moved to Hong Kong. Later, he moved back to the liberated area to participate in the preparation of the new political consultation conference. After the founding of New China, he served as a member of the Central People's Government, a member of the Political Affairs Department, and Minister of Education.

Most members of the Democracy Promotion Association were celebrities of cultural and educational circles, such as Zhou Jianren [0719 1696 0086], Ye Shengtao [0673 5110 7118], Lei Jieqiong [7191 3381 8825], Zhao Puchu [6392 2613 0443], and Xie Bingxin [6200 0393 1800]. Ma Xulun was concurrently a member of the CDL. He was once vice chairman of the CDL Central Committee. In 1958, he quit his membership with the CDL and served only as chairman of the Central Committee of the Democracy Promotion Association. Due to a wound in his midbrain inflicted upon him during the Xiaguan Incident, the revered Ma was confined to bed for many years before he passed away in 1970. After his death, Ye Shengtao became the chairman of the Democracy Promotion Association. The current chairman is Madame Lei Jieqiong (former Yanjing University professor).

#### **Zhang Bojun Expands and Develops the Chinese Peasants and Workers Democratic Party**

The Chinese Peasants and Workers Democratic Party (CPWDP), also called the Third Party, was founded by Deng Yanda [6772 3348 6671] (also named Ze Sheng [2344 3932]). Its major members included Zhang Bojun, Huang Qixiang [7806 3825 5046], Peng Zemin, and Ji Fang [1323 2455]. During the Northern Expedition period, Deng Yanda was the director of the Political Department of the General Headquarters of the Northern Expedition Army of the KMT. Later because Chiang Kai-shek waged the April 12th coup to oppose communists and purify the KMT party, Deng Yanda parted company with Chiang Kai-shek. After the great revolution failed, Deng secretly went to Germany via the Soviet Union and then traveled to different countries in Europe and Asia. In May 1930, he secretly returned to Shanghai, called together some comrades, and founded the China KMT Temporary Action Committee, which was the predecessor of the Third Party. In August 1931, he was arrested and killed by the Chiang Kai-shek government because a renegade informed against him. He was only 36 years old. After Deng was killed, his comrades and close friends such as Zhang Bojun and Huang Qixiang united comrades and continued to fight for his organization, which was later renamed as the CPWDP in 1948.

The CPWDP was founded by Deng Zesheng, but its development and expansion could not be separated from Zhang Bojun's efforts. Zhang Bojun was concurrently vice chairman of the CDL and chairman of the CPWDP. I introduced this man in my previous article "Anti-rightist Movement." He was a political activist. His work style was similar to that of a politician, but he always opposed Chiang and cooperated closely with the communist party. Enjoying great popularity after the liberation, he served as a member of the Central People's Government, a member of the Political Affairs Committee, minister of transportation, and vice chairman of the Chinese People's Political Consultation Conference (CPPCC) Committee. Using the CDL and the CPWDP as his political capital, he bargained with the communist party and caused Mao Zedong to dislike him. In the Antirightist Movement, Mao Zedong framed him with the crime of "Zhang-Luo coalition" and accused him of opposing the communist party and socialism, saying that he was contending with the communist party for leadership. This was really wrong. The Cultural Revolution was over. Now it is the 1980's. But, the CPC still has not removed his "rightist" label. However, I believe that history is fair and that Zhang Bojun's "rightist" label will be removed and his verdict reversed before the end of the 20th Century.

Most members of the CPWDP came from medical and health circles. Many famous doctors of Chinese traditional and Western medicine have held membership with this party. The current chairman of the CPWDP is Lu Jiayi [4151 0857 6932], and the honorary chairman is Zhou Gucheng [0719 6253 1004].

#### **Zhi Gong Dang, Jiu San Society, and Taiwan Self-Government Democratic League**

The China Zhi Gong Dang was another name for Zhi Gong Tang, which was a secret society (the Red Gang). Its founder was Situ Meitang [0674 1778 5019 1016]. Originally from Kaiping, Guangdong, Situ Meitang became a legend among overseas Chinese in the United States. He was a gang leader, could shoot with both hands, and had great influence among overseas Chinese in the United States. He once served as manager of the Anliang Industrial and Commercial Association of New York and supervisor of the American Zhi Gong Tang. He gave financial aid to Sun Yat-sen's revolution. Former U.S. President Roosevelt worked as his legal advisor. After China won the War of Resistance, he returned to Hong Kong where he opened up shop and recruited some followers. In 1947, the Zhi Gong Tang held its third congress in Hong Kong and changed its name to Zhi Gong Dang. Chen Qiyou [7115 0366 1429], who vigorously advocated joining the people's democratic united front of the CPC, was elected vice chairman. Most members of the Zhi Gong Dang were overseas Chinese in America. In May 1948, Chen Qiyou, who represented the China Zhi Gong Dang, and responsible persons of other democratic parties jointly signed a letter of support for the May 1st call issued by the CPC.

Because of this, the Zhi Gong Dang was able to join the preparation committee for the new political consultation conference as a democratic party after the liberation.

Chen Qiyou, chairman of the Zhi Gong Dang, was originally from Haifeng County of Guangdong Province. During the War of Resistance, he was a special envoy of the KMT Government to Hong Kong. Later he was imprisoned by Chiang Kai-shek and locked up in the Guizhou Xifeng Concentration Camp. After his release in 1941, he moved to Chongqing. He was elected as the chairman of the Zhi Gong Dang because he was close to the CPC due to the influence of progressive thoughts. He passed away in 1971 in Beijing. Huang Dingchen [7806 7844 5256], CPC member who also came from Haifeng County, later became a long-time leader of the Zhi Gong Dang.

The Seventh democratic party is the Jiu San Society, which was founded on 4 May 1946. This is a political organization initiated by people in Beijing's academic circles after China won the War of Resistance. Its main leader was Xu Deheng [6079 1795 3801]. Xu was the leader of the Beijing University in the May 4th Student Movement. He later taught at the Beijing University and other universities. He was a famous progressive professor. The name of the Jiu San Society was chosen to mark the date of 3 September when a complete victory was won in the War of Resistance Against Japan and the Antifascist International War. Most members of the Jiu San Society are engineers, technicians, and highly educated intellectuals. The creme de la creme in China's scientific and technological circles, such as Zhou Peiyuan [0719 1014 0337], Mao Yisheng [5403 0110 0581], Yan Jici [0917 3444 1964], and Jin Shanbao [6855 0810 1405], have all been members of the Jiu San Society. The Jiu San Society has some similarities to the CDL, and some of its members are also members of the CDL. The current chairman of the Jiu San Society is Zhou Peiyuan. Xu Deheng is honorary chairman. He is close to 100 years old. He has not been active at all in recent years. The Jiu San Society is quite influential in scientific and technological circles, and its leaders have been known for being outspoken although Zhou Peiyuan is also a communist.

The last one is the Taiwan Self-Government Democratic League (abbreviated as Taiwan League). It was founded in November 1947 by Taiwan patriotic democratic personages, who were in exile in mainland China during the War of Resistance. It was first established in Hong Kong. Since it announced support for the CPC's May 1st declaration in 1948, it participated in the 1st CPPCC in 1949. Its main leader was Xie Xuehong [6200 7185 4767], female, who was born in Zhanghua City of Taiwan. In 1925, she joined the communist party and attended the Shanghai University. In 1947, she joined Taiwan's February 28th Uprising. After it failed, she went to Hong Kong, rejoined the Communist Party in Hong Kong, organized the Taiwan League, and became

its chairman. After the liberation, she served as a member of the executive committee of the Democratic Women's Federation and chairman of the All-China Youth Federation, and joined the Preparation Committee of the New Political Consultation Conference. This woman is progressive in thinking and enthusiastic at work. However, in 1958, she was unfortunately labelled as a rightist and vanished from the political stage. She was not rehabilitated until 1980. The current leaders of the Taiwan League are Su Ziheng [5685 1311 5683] and Cai Xiao [5591 0876]. They are both over 70 years old, and belong to the older generation of Taiwan's progressive intellectuals. Their influence on the younger generation of Taiwan people cannot be significant.

Above is a brief history of eight democratic parties.

#### **A Clear Line of Demarcation Between Members and Nonmembers**

In addition, there is another organization called the All-China Federation of Industry and Commerce (AFIC). It represents China's industrial and commercial circles. Its nature is similar to that of the Democracy Promotion Association, both representing national bourgeoisie. Unlike other democratic parties which were mostly established before the liberation, the AFIC was founded in June 1952 after the liberation. Old China had the chamber of commerce. Wang Xiaolai [3769 0879 4704] of the Shanghai Chamber of Commerce and other Shanghai celebrities such as Yu Qiaqing [5713 3174 0615] and Wen Lanting [5113 5695 0080] had great influence in industrial and commercial circles and controlled great financial powers. After the liberation, private capitalist economy was reformed and destroyed, but people were not destroyed. Besides, in the initial period of liberation, private industry and commerce still accounted for a considerable part of the economy, and industrial and commercial leaders were still considered as targets of unity by the Communist Party. So in 1950, the Communist Party began to prepare for establishment of the AFIC. I was appointed by the Communist Party to carry out the preparation work. For this, I had to visit Wang Xiaolai. When the preparation was over, the Communist Party announced that Sha Qianli [3097 0578 6849] was the secretary general of the AFIC. I was pushed aside because Sha Qianli was a communist and I was not. When the preparation was carried out, Sha Qianli was not in China. He went to the Soviet Union and came back at the time of the appointment. Sha Qianli was concurrently vice minister of commerce and secretary general of the AFIC. He and I were both members of the National Salvation Society. Our personal relationship was very good. I prepared everything and he enjoyed the results. I did not mind this because I was the deputy chief of the Private Enterprise Bureau, which controlled all private enterprises in China. Then noted great Chinese entrepreneurs, such as Liu Hongsheng [0491 7703 3932], Wu Yunchu [0702 5686 0443], Lu Zuofu [4151 0155 1318], and Hou Debang [0186 1795 2831] of Tianjin, were in frequent contact with me. My influence in

industrial and commercial circles was not below that of Sha Qianli. From this, however, we can see that the CPC drew a very clear line between members and nonmembers. Key positions (such as secretary general and personnel director) in either democratic parties or mass organizations must be filled by communist members. To assure the CPC, such positions must not be held by nonmembers, not even by someone like me who had followed the communist party for several decades and won the general trust of the CPC. During the initial period of liberation, the CPC was not familiar with prominent figures of national bourgeoisie, so it had to use me as a temporary liaison. For instance, once some people from Shanghai's industrial and commercial circles, including Sheng Pihua [4141 0012 5478], Bao Dashan [0545 6671 0005], Rong Yiren [2837 3015 0088], came to attend a meeting in Beijing. Premier Zhou Enlai asked me to find out if Shanghai's industrial and commercial circles had any requests. After I found out, I told him that they wanted to talk with responsible persons of the Central Financial Commission including Chen Yun and Bo Yibo. Hearing this, Premier Zhou immediately instructed Chen Yun of the Central Financial Commission to make arrangements. But leaders of the Central Financial Commission were not mentally prepared at the time. Later I was told that leaders of the Central Financial Commission were very unhappy about me because I did not warn them in advance before I talked to the premier, thus throwing them into a passive position for they could not refuse to carry out the premier's instruction, etc. They did not complain directly to me about all this because I was a democratic personage. If I were a Communist Party member, they would have criticized me for neglecting organizational disciplines.

The AFIC was founded in October 1953. Its chairman was Mr Chen Shutong [7115 0647 6639]. Chen was a member of the Imperial Academy of Qing Dynasty. Ma Xulun was his student. He was honest, upright, and ideologically progressive. He and Zhang Jusheng [1728 5468 3932] jointly founded the Commercial Publishing House, which was quite influential in cultural and political circles. I wrote a speech for him to deliver at the founding ceremony of the AFIC. He liked it very much and personally wrote me a letter, telling me that "not even You Xia could edit a word in" the draft of the speech" (namely, not even Confucius's student, You Xia, could change a word). Since the draft had to be examined and approved by the Central Financial Commission, the revered Shu enclosed a letter with the draft when it was submitted for examination and approval, asking CPC leaders not to edit too much. As it turned out, they did not edit very much. For the speech I wrote, the revered Shu treated me to a delicious meal in his house.

The CPC considered Huang Yanpei and Chen Shutong as the spokesmen of national bourgeoisie. One was the chairman of the Democratic National Construction Association; the other was the chairman of the AFIC. Most members of the association also belong to the

federation. They also work in the same office. These two organizations can be integrated or separated. For instance, I was a member of the Central Committee of the Democratic National Construction Association and a member of the Standing Committee of the AFIC. I did not quit my membership with these two organizations and I concentrated on the work of the CDL until the 1960's. The current chairman of the Democratic National Construction Association is Sun Qimeng and the chairman of the AFIC is Rong Yiren. Both are excellent choices for the positions.

When Chen Shutong was the chairman of the AFIC, he personally proposed that Chairman Mao call Xu Dixin [6079 3321 2450] to Beijing to serve as vice chairman of the AFIC, and Chairman Mao and Premier Zhou approved. Xu Dixin used to be the secretary general of the Military and Political Commission of Eastern China and the chief of the Shanghai Municipal Industrial and Commercial Bureau. He knew everything about Shanghai's industrial and commercial circles and was also very experienced in the united front work. After being transferred to Beijing in 1952, he served as the chief of the Central Industrial and Commercial Bureau, the secretary general of the Central United Front Work Department, and vice chairman of the AFIC. As mentioned in my previous article, after the movements against three and five evils, private enterprises were at their last gasp. The CPC set forth the principle of using, restricting, and reforming capitalist industry and commerce. The Central Private Enterprise Bureau was changed to the Central Industrial and Commercial Administrative Control Bureau. I was still deputy bureau chief. Xu Dixin superseded Xue Muqiao [5641 2550 2890] as bureau chief. Guan Datong [4619 1129 0681] was added as another deputy bureau chief. Xu and Guan were both Communist Party members. I, the nonmember deputy bureau chief, became a figurehead. Xu Dixin later added to his titles the Deputy Director of the Central United Front Work Department and the Deputy Chief of the Eighth Office of the State Council. In addition to these, he was engaged in many other social activities and had a very tight work schedule. The AFIC was only part of his work, so he showed up only once in a while and most work was actually taken care of by Guan Datong. Guan was from

Shandong. He was also a senior cadre. With an arbitrary work style, he did not show much respect for Xu. He might be ignorant, but he was quite competent. Even Premier Zhou was fooled by him at times and spoke highly of him. I got along peacefully with Xu and Guan. Nothing ever happened because I never competed with them for power. I only minded my own business.

#### **Existing Democratic Parties Cannot Become Opposition Parties**

From the above introduction of democratic parties in mainland China, we can see that China's democratic parties are different from foreign political parties. Political parties in capitalist countries are exclusive. No one can join two political parties at the same time. But it is different in China. There are many overlapping members and people are used to them. Even a leader of one party can be a member of another party. For instance, during the initial period of liberation, Huang Yanpei, Ma Xulun, and Zhang Bojun were concurrently leaders of their own little parties and vice chairmen of the CDL. The CPWDP, the CDL, the CDNCA, and the Jiu San Society also have many overlapping members. For instance, in the 1950's, I was concurrently a member of the CDL Central Standing Committee, the CDNCA Central Committee, and the CFIC Standing Committee. CPC members have absolute advantage over others in democratic parties. Secretaries general of all democratic parties are generally CPC members because secretaries general control the real power of such parties. Even chairmen of some democratic parties are also held by CPC members. For instance, Yang Mingxuan, Hu Yuzhi, and Chu Tunan used to be CDL chairmen. Zhou Peiyuan, current chairman of the Jiu San Society, and Sun Qimeng, current chairman of the CDNCA, are all CPC members. This is why it is unrealistic and impossible to change democratic parties into opposition parties, as suggested by many young friends. These Chinese-style democratic parties can only be little parties under the leadership of the CPC. Whether or not China needs an opposition party and how to form one is another issue. But no opposition would come from any of the existing democratic parties. And that is an unchangeable fact.

## NATIONAL AFFAIRS, POLICY

### Editorial on Importance of Sense of Construction

HK3003084889 Beijing JINGJI RIBAO in Chinese  
20 Mar 89 p 1

[Editorial: "Strengthen Our Sense of Construction—Greeting the Grand Opening of the 'Two Sessions'"]

[Text] The Second Session of the 7th National People's Congress [NPC] and the Second Session of the 7th Chinese People's Political Consultative Conference [CPPCC] were solemnly opened in Beijing today and yesterday, respectively. On this occasion, we would like to extend our warm congratulations to the NPC deputies and CPPCC members attending the two sessions and wish the meetings complete successes.

The two sessions are being held at a crucial moment of improving the economic environment, rectifying the economic order, and deepening reform in an all-round way. Their main theme will be: Enhance vigor, strengthen confidence, and carry out improvement and rectification with one heart and one mind. These are the people's wishes and the ideological foundation and action foundation for pushing reform forward and seeking development under the situation of stability. People throughout the country are paying close attention to the "two sessions," hoping that their atmosphere, achievements, and resolutions will bring them new inspirations and confidence. They especially hope that the high sense of construction expressed by the people's deputies and CPPCC members when discussing government affairs will greatly affect the people so that the whole nation will be inspired.

The sense of construction is a sense of making concerted efforts to seek a realistic strategy for the realization of a set objective. It is held together by a national spirit of courageously forging ahead, a realistic and scientific attitude, and a high sense of responsibility characterized by "everyone having a share of responsibility for the fate of the country." At present, we are faced with many difficulties and problems. This is a grim fact that cannot be evaded. In face of this reality, we must not merely have a sense of anxiety and a sense of crisis. This is because although the sense of anxiety contains a lofty feeling of being concerned about the country and the people, it may easily make us neglect our own strength and the masses of people who are capable of removing difficulties and may obstruct us from objectively and coolly understanding things. It may even turn our feeling into one of worry, bias, and indignation and make us feel disheartened. Although the sense of crisis also contains a feeling of being concerned about the destiny and future of our state and nation, it may obstruct us from making positive advances if we regard crisis as static. We must realize the complexity in real economic and social life will inevitably bring about all kinds of crises, such as population crisis, environmental crisis, and other crises resulting from the contradictions in the structure of

economic development. Crisis is a form of sharp contradictions. It is not a strange phenomenon and is not unsolvable. If the sense of crisis is not established on a basis of scientific prediction on the trend of development of things and a comparison between method and result, but is just a subjective conjecture of willful inference, it can only bring about misunderstanding and the loss of confidence and will not help us overcome difficulties. Therefore, at present, a more important thing is for us to establish and enhance the sense of construction and believe that our contradictions and problems can be solved through our common efforts. We must regard them as frustrations on the road forward and draw on collective wisdom and absorb all useful ideas to solve the problems in a realistic manner so that we can achieve new successes.

At present, it is even more necessary for us to coolly analyze all kinds of social and economic contradictions and correctly deal with difficulties. We must make a correct appraisal of the situation: The achievements we have made over the past 6 months in improvement and rectification show that the policies, principles, and measures of improvement and rectification adopted by the CPC Central Committee and the State Council are correct. If they are continuously carried out, all difficulties will be overcome. This is a basic aspect of things. On the other hand, we must also realize that we have only made some initial achievements. There are still many things to do in order to attain the targets set by the policy of improvement and rectification. We must make unremitting efforts to attain these targets. This is another aspect of things. Our understanding will not be a complete one if we lose sight of any of the two.

As a matter of fact, improvement and rectification are fundamental strategic measures for us to overcome difficulties and promote reform and development in a stable situation. It is a resolute policy of readjustment adopted after realizing the harmful effect of the overheated economy and inflation. It is also a new effort we have made in order to stabilize the economy and deepen reforms by rectifying the trend of being impatient for success and correcting the mistakes and shortcomings in work guidance. The objectives of improvement and rectification include eliminating the overheated economy, curbing inflation, readjusting the economic structure, and establishing a perfect macroeconomic regulation and control system and a supervision system. There are great difficulties in realizing these objectives. In the course of improvement and rectification, when old contradictions are alleviated, some new ones may appear. Therefore, it is unrealistic to think that improvement and rectification are miraculous cures and that all problems will be eliminated within a short period of time and no new contradictions and difficulties will appear after improvement and rectification. Judging from current developments, since implementing the policy of retrenchment, some structural contradictions have temporarily been aggravated, the phenomenon of "slip down" has appeared in certain trades, there has been a

blind flow of labor among some peasants, and some funds have been "circulating outside" though there is a serious shortage of funds. All this will add new difficulties to our work. However, provided we study the new situation and put forth new methods to solve the new problems in good time, we will surely be able to improve the situation. Under such circumstances, it is even more necessary for us to concentrate our strength, study the problems, and find methods to promote improvement, rectification, and the work of deepening reforms in an all-round way.

Of course, in order to promote our work, we must have an atmosphere of harmony and an environment of stability and unity. This atmosphere and environment can only be created under a stable situation. People are longing for a stable situation in the economic, political, and social fields. Only when we promote reform and development under a stable situation can we unite as one and make continuous advances with one heart and one mind, and can we achieve victory and success.

Spring has just come. Our economic situation is just like the weather in early spring. Through readjustment, it will enter a blossoming season. There are bright prospects ahead of us. We will become invincible if we carry out improvement and rectification wholeheartedly and solve the new problems in good time. Just as an ancient poem says: "Day lily grows well amid snow, and willow catkin tells the coming of spring." Day lily is also called Wangyou grass. It is not afraid of snow and hardships. Spring is before us if we continue to advance despite difficulties.

## FINANCE, BANKING

**Alternatives to Price Subsidies Suggested**  
*40060428 Beijing JINGJI RIBAO in Chinese*  
*2 Mar 89 p 3*

[Article by Lian Cen 4886 1478: "Some Views on Various Forms of Commodity Price Subsidies"]

[Text] Commodity prices have risen sharply in the last few years. The cost-of-living index for employees rose 11.9 percent in 1985, 7 percent in 1986, 8.8 percent in 1987, and a steep 20.7 percent in 1988. This has never happened since the founding of the PRC. The relation between wages and commodity prices has become the central topic in discussions among the people and a "hot topic" among theorists. The following are my humble opinions on this issue; please correct me.

1. Our objective must be not to grant commodity price subsidies to the wages of employees in enterprises.

Should workers be paid subsidies to compensate for losses in their wages caused by the rise in commodity prices? In my opinion there cannot be one uniform answer in all such cases. Our objective should indeed be not to grant commodity price subsidies to the wages of employees in enterprises.

Recognizing that labor is a commodity, and that wages are the converted form of the price or value of labor, it is a matter of course that should prices of other commodities go up, labor, as a "member" of the "commodities" group, should also increase in price. This is because wherever labor is a commodity, the capitalist is the commodity producer, and labor is controlled by capital. The hired worker has no responsibility as to whether the enterprise operates at a profit or at a loss, and it is therefore irrelevant whether the enterprise makes a profit or operates at a loss; the capitalist must pay wages according to the "price of labor." Although there are variations in this state of affairs in capitalist countries, there is no change in the essential relationship here. In capitalist countries, it ought indeed to be like this with regard to commodity price subsidies to wages.

In the socialist commodity economy, enterprises owned by all the people are the commodity producers. To achieve economic returns, enterprises must have decisionmaking power in their business operations. Since they have decisionmaking power in their business operations, the enterprises must also bear responsibility for their operations. The effect of this economic relation on the wage sector demands that there be a linkage between the level of wages to employees in the enterprise and the business condition of the enterprise. If the enterprise, according to correct policy decisions in its business operations, prices its commodities higher than their value, the wage level for its employees may be raised correspondingly. In that case it would not be necessary to add commodity price subsidies to wages. If the policy decisions of the enterprise in its business operations are wrong, and the prices of its commodities are lower than their value, wages of its employees would be relatively low. In that case no commodity price subsidies should be paid to its employees. Commodity price subsidies paid to employees of unprofitable enterprises appear to be, outwardly, an expenditure of the treasury, but are actually derived from enterprises that are profitable. The consequence of commodity price subsidies is bound to be that they will make it difficult to raise wages of employees in well-managed enterprises, and that it will also be impossible to lower wages of employees in poorly managed enterprises. It would then be nothing but empty phrases to speak of employees in enterprises not having themselves to bear responsibility for profit or loss, and enterprises having decisionmaking power in their business operations, as profitable and unprofitable enterprises will of course equally push for the highest possible wages for their employees.

In my opinion, our objective must be to leave decision-making in business management to the enterprises, have the enterprises responsible for their own profits and



losses, leave the matter of wages to the enterprises themselves to handle, and allow the effect of commodity price fluctuations on wages to be also completely a concern of the enterprises.

2. During reform of the pricing system, it is necessary to add commodity price subsidies to employee wages.

As the pricing system is presently being adjusted, and employee living expenses are going up, should we pay subsidies to employees? In my opinion we should.

After liberation, prices for all trade and enterprise commodities were barely covering costs, and were in some cases even below cost. That this situation could be maintained was to a large degree due to maintenance of a system of low wages. The low-wage system in turn was possible by forcefully holding down prices in the basic living expenses of employees. Now that prices for these zero-profit and negative-profit commodities are being adjusted, it stands to reason that the real wages of employees should also be raised. Otherwise, it would amount to lowering the actual living standards of the employees.

In the process of price reform, adjustments will be made in prices for commodities which affect the livelihood of the employees. Whether raising the money wages for employees will have the result of these additional costs inducing price increases, will depend on our correct selection of opportune times and steps. In my opinion the following steps will produce somewhat better results: First step, raising prices in the livelihood expenses of employees to the level of costs, at the same time raising money wages of employees, and simultaneously have the state reduce price subsidies to enterprises marketing agricultural products and nonstaple foodstuffs. Having increases in employee wages more or less balance the state's reduction in price subsidies. Second step, raising prices of commodities which affect the livelihood of employees to a level that allows profits to be made, at the same time further raising of money wages to employees. At this juncture, the enterprises marketing agricultural products and nonstaple foodstuffs will correspondingly be turning from unprofitable into profitable enterprises. Turning losses into profits in the enterprises marketing agricultural products and nonstaple foodstuffs will have some of the profits of the processing and manufacturing trades revert back to the said enterprises.

What has to be pointed out here is that increases in the commodity prices of enterprises handling agricultural products and nonstaple foodstuffs is simply demanded in line with the straightening out of the whole pricing system. Simultaneously, the costs of wages in the processing and manufacturing trades may also go up, subsequent to the increase in commodity price subsidies for employees, but the prices of commodities must not be raised. If wage costs would push up prices of commodities of the processing and manufacturing trade, the irrational price relationship between their commodities

and other commodities would then be bound to recur at a high level, and straightening out of price relations would vanish like a soap bubble.

3. As wages increase, it is necessary to strive for an increase in the volume of commodities produced, and even have this increase accelerate faster.

According to one opinion, it is possible that the rise in money wages to employees will push up commodity prices at the demand side of the economy. This view is actually wrong. Wages have a double character. Regarded from the income angle, a larger issue of wages can indeed increase social demand. But to decide whether this increased demand gives impetus to commodity price increase, we must still look at the other character of wages, namely their encouragement effect. Wages are not given for nothing, and increased wage payments are also significant toward improving labor performance and increasing output volume. As these products are destined for the market, supplies will increase. If a certain amount of wages paid brings about a fixed volume of products, the product volume will of course increase as wages increase. If payment of a certain amount of wages can bring about an even larger volume of products, the volume of products will grow much faster due to this increase in wages. As economic returns due to the wages increases remain unchanged and gradually increase, the additional demand due to wage payments will bring even larger supplies. Whether increases in money wages will drive up commodity prices, depends decisively on the economic effect of the wage increases.

According to yet another opinion, the raising of money wages will result in a very large decline in the total amount of the state's profits. This is also a point that must be studied. Adjustments in the pricing system will result in the profit component in the commodity prices of the processing and manufacturing trade declining, but it will also eliminate the negative-profit and zero-profit situation in the originally policy-ordained losses in the commodity value of enterprises, and the profit component in these commodities will increase. As a result, the overall profits of the state may decline, but the profit component in enterprise commodities will become rational. Under these circumstances, the profit amount of the state will then increase as the volume of commodities increases. At the same time, there will be a great decline in payments of subsidies to negative-profit enterprises. Reform of the pricing system will provide favorable conditions for an equal competition between enterprises; it will stimulate enterprise enthusiasm for business, stimulate labor enthusiasm among employees, and material conditions for enterprise production will also continuously improve. As a consequence, volume of products manufactured by the enterprises will quickly increase. Looking at the growth aspect of the situation, the profits of the state will indeed quickly increase.

In the above, we have only discussed the changing relations between the profit component and the wage component in the value structure of the commodities.



There is an even more important element, the material consumption index in the value structure of the commodity. If it is possible to reduce the material consumption part in the commodity value, it would be possible to increase the wage component in the commodity value without reducing the profit component, or even with an increase in the profit component without reducing the wage component, or even further, to increase both profit and wage components in the commodity value at the same time.

4. Adopting a method of raising the coefficient of the wage to economic returns ratio would be the best form of a commodity price subsidy.

How are we to institute a price subsidy for employee wages during the price reform? Opinions are still divided on this question among theorists and actual working departments.

Some comrades propose that a price subsidy for employee wages be effected through an adjustment of wages. In actual fact, in the repeated adjustments of wages in the past, it has always been impossible to implement the principle of distribution according to work performance, and if we lump together commodity price subsidies and wage adjustments, it would undoubtedly legitimize equal distribution, and that is bound to dampen work enthusiasm among staff and workers, as it would also be detrimental to encourage staff and workers to study and improve themselves technologically.

Some comrades propose to pay commodity price subsidies directly to the employees. This has been done in the past. For instance in 1979, 5 yuan was paid as nonstaple food allowance to employees, in 1985 it was a 7.5 yuan subsidy (it differed in different localities), in 1988 it was a 10 yuan subsidy (subsidy differed in large and medium-size cities), and since it was a commodity price subsidy, everybody got his or her share, and it was impossible to avoid equal distribution. The commodity price subsidy not only did not stimulate work enthusiasm among employees, but on the contrary caused dissatisfaction, as the commodity price subsidy was considered insufficient, while loss due to inflation was more significant. The commodity price subsidy, therefore, did not bring about increased supplies, but on the contrary only stimulated demand, and it had the low-productive enterprises sit idle and enjoy the fruits of others' work, had the workers gain income without working for it themselves, and brought about a vicious cycle of wage-commodity price increases, one increase always following the other's increase.

Some comrades suggested indexing wages. This method draws undue attention of employees to the commodity prices, weakens the encouragement function of wages for the workers, and unavoidably contributes to the alternating upward move of wages and commodities.

In my opinion the state must not merely pay out a sum of money as a commodity price subsidy to employee wages, but must somehow link increases in wages to economic returns according to a certain coefficient. In enterprises in which the total amount of wages is linked to actual commodity output, the wage component per unit product may be raised. In enterprises in which the total amount of wages is linked to profits, the ratio of wages to profits may be raised. In enterprises in which the total amount of wages is linked to total output value, the wage component in 100 yuan output value may be raised. In this way, if there is no increase in the enterprise's index of economic returns, due to the fact that the component or ratio has been raised, the total amount of wages of the enterprise will still have actually increased, thus also achieving a commodity price subsidy. Internally within the enterprise, the wages of an individual employee shall be linked to his or her labor performance. Because of an increase in the ratio of wages to the economic returns index of an enterprise, the wage component in the unit-work-achievement has increased, and this too realizes the objective of a commodity price subsidy. A form of commodity price subsidy by raising the coefficient of the ratio between wages and economic returns may induce enterprises to exploit potential and raise labor productivity, and not to waste their energy on striving for subsidies and the raising of prices. At the same time, it will guarantee that real wages to employees will not decrease, but that they may increase. It will avoid that cost impulses or demand influences will lead to commodity price increases, while it will have the state's gross profits gradually increase.

**Analysis of Financial Supervision System**  
*40060426 Beijing JINGJI CANKAO in Chinese*  
*6 Mar 89 p 4*

[Article by Liu Xiuwen 0491 0128 2429 and Chen Juqi 7115 1446 1142: "Let's Talk About the Financial Supervision System"]

#### [Text] I. Major Characteristics of Financial Supervision System

The financial supervision system is designed to exercise legal control over the financial authority of the state. It was started when modern constitutionalism was introduced. Whether a financial supervision system is sound is a direct indication of the development level of democracy and the legal system in a country.

The financial supervision system of the West originated from the "bill of rights" of the British Parliament and has been developed and perfected for the past 300 years. It bears the following prominent characteristics:

Parliamentarism—namely, the authority to manage national finances must be exercised according to the decision of parliament. Taxes levied under the privilege

of a person without permission of parliament, and taxes exceeding the time limit or violating the method approved by parliament are illegal.

Tax legislation—that is, new taxes or current tax amendments must have a legal basis. Tax scope, standards, rates, and procedures must be based on laws passed by parliament. Any administrative decisions that violate the regulations of tax law passed by parliament are illegal.

Financial expenditures or national debt must be based on parliamentary decisions or law. Namely, the uses, contents, purposes, and the maximum limit of state financial expenditures must be pre-approved by the parliament.

The government draws up an annual fiscal budget and submits it to the parliament for consideration and approval before it is implemented.

The annual final account of state financial revenues and expenditures is audited by auditing organs and submitted to the parliament for approval.

## II. Major Points of Financial Supervision System

Generally speaking, a financial supervision system has two major contents: One is internal supervision to "check power with power" through rational distribution of powers; the other is external procedural control to stipulate procedures and principles for the execution of various functions and powers. Their concrete expression is supervision of decision making, implementation, and after-audit process.

### A. Supervision of Budgeting Process

Supervision of budget preparation process. Preparing a budget is the first procedure of budget activities. Supervising this procedure is stipulation in the constitution about who has the right to propose a budget. There are generally two models: 1) Monopoly by the legislative branch. The characteristics of this system is that the executive branch is strictly forbidden from proposing any budget-related bills. The right to prepare and propose budgetary bills is monopolized by the legislature. A representative of this system is the system practiced by the United States during the 1802-21 period. 2) Monopoly by the executive branch. Most countries now practice this system. Namely, the highest executive organ exercises the right to prepare and propose budget-related bills.

The Constitution of China stipulates that the executive branch should have the monopoly of preparing the budget, which is practical as well as proper. There are now three problems: 1) Our government prepares the budget, but submits a budgetary report, similar to the "budget speech" of the West. 2) The budget is not clear enough. Laymen cannot understand it, and experts do not have enough to look at. 3) The national budget, especially local government budgets, seldom includes

extrabudgetary incomes and expenditures, so a considerable part of government activity as a whole is excluded from the supervision of parliament.

Supervision of the consideration and implementation process of the national budget. After a budget is prepared, it must be submitted to the legislature for consideration and approval. Parliamentary supervision of the budget consideration process can be roughly summarized into the following four aspects:

1. Stipulations on decisionmaking authority. Decision-making authority refers to the degree of authority the legislature has in amending the budget bill proposed by the executive branch. Currently there are three models: One is the administrative budget system, under which, the executive branch make decisions concerning budget bills, like Britain. Second is the legislative budget system, under which the constitution gives the parliament complete authority to amend the budget, like the United States before 1921 and France before 1926. Third is the common mixed budget system. The executive branch has the authority to prepare the budget, but the legislative branch can amend it, unlike Britain where amendments must be approved by the cabinet.

China practices the mixed budget system. Existing problems are that the budget is often led by programs, and the formulation, consideration, and approval of such programs are not effectively supervised.

2. Stipulations on the content of consideration. The budget to be considered and approved by the parliament should include all incomes and expenditures in order to achieve the purpose of advance supervision. However, because a budget report includes so many complicated items of funds and programs, most countries consider only part of their incomes and expenditures in their budgets like Britain and the United States while others consider all items like France. In many countries, a large part of their expenditure (near 50 percent) is usually excluded from scrutiny. This part of expenditures is approved automatically, such as the fixed fund of Britain and the permanent fund of the United States. Revenues are not scrutinized except for revision of tax rates and levying of new taxes. Legislatures in most European countries have the authority to only reduce, but not increase, budgetary funds. Legislative assemblies in France, the United States, and socialist countries have the authority to reduce as well as increase budgetary funds.

The Constitution and related laws of China do not have clear stipulations regarding the content of consideration. There have been some practices like examining part of the income and expenditure, but such practices are not always carried out. After consecutive years of deficits, one of the major issues facing China is how to increase fiscal income and reduce expenditure.

3. Stipulations on the time of consideration and legal remedies for a rejected budget. Since the budget concerns state financial activity as a whole, when to consider and approve the budget appears to be very important in regular financial operation. Practices of different countries show that there are mainly two kinds: before and after a budget is implemented. France, the United States, and many other countries consider and approve their budgets before a fiscal year begins, while West Germany and Britain usually do it several months after a fiscal year begins. If a "budget is not approved" after a fiscal year has begun, they would adopt corresponding legal remedies. There are three kinds: One, to pass "the release of credit funds"; two, to "follow last year's budget"; three, to "use reserve funds."

Past practices show that China's budget is considered by the National People's Congress [NPC] often after it has been implemented for 3 to 4 months. This causes the executive branch to carry out financial activities of revenue and expenditure without a legal basis. There seem to be three practical solutions to this problem: One, change the date of the NPC session; two, change the fiscal year; three, adopt a "temporary budget." Western countries adopt all of the above-mentioned remedies because their parliaments cannot approve their budgets on time. When the NPC is not in session, the NPC Standing Committee can exercise part of its highest power to pass a "temporary budget" so that the legislature can exercise financial supervision before the budget is approved.

4. Stipulations on the decisionmaking process. When the legislature adopts a budget, it usually follows two major procedures: The first one is consideration. A comprehensive survey of budget consideration systems in different countries shows that there are roughly three categories: One is the system of consideration by all members of the parliament. Another is the system of consideration by special committees. A third and the most popular one is a combination of the first two systems. The second procedure is voting. In other words, the legislature discusses the examination report and votes to decide whether to adopt the budget. There are two popular practices in different countries: "one-time vote" and "itemized vote."

China now uses the system that combines the consideration by all members and by a special committee, namely, the financial and economic commission. This can help pool the wisdom of the masses, embody democracy, and make budget bills more scientific. The question is how to solve the following problems: 1) The budget is too simple and very unclear. 2) Time allowed for consideration is too short. 3) The NPC and the special commission have very limited authority. On the issue of voting, China generally adopts the "one-time vote," which is conducive to increasing work efficiency. But at the same time, it also creates problems regarding the quality of vote and the validity of decision.

Regulations on the limit of financial decision-making power. In addition to "checking power with power," or the international supervision over the process of budget preparation, consideration, and approval, the parliament also exercises an overall supervision over the financial decision-making power of the government. In other words, it sets a few limits to define the scope of the financial decision-making power. Early constitutional governments believed that "the best government is the one that governs the least." Parliaments generally placed very few restrictions on the execution of financial decision-making power. After the World War II, legislatures attached more importance to the economic and social functions of budgets and, at the same time, exercised a certain amount of overall control over government budgets. The most obvious case is the basic law of the Federal Republic of Germany, which stipulates that "income and expenditure must be balanced." It is worth pointing out that in the 1980's, constitutional practices of developed countries began to show a tendency of strengthening overall supervision over financial decision-making power.

The Constitution of China provides a series of basic principles for national economic management. They are of great guiding significance in exercising financial decision-making power. But unscientific stipulations in the Constitution should be deleted as soon as possible. At the same time, stipulations concerning overall financial supervision, such as that "financial income and expenditure must be balanced" and debt ceiling, should be added.

#### **B. Supervision of the Process of Implementing Financial Decisions**

After a state financial decision is adopted in the form of a budget bill, the executive branch will begin to implement the financial decision. The parliament supervises the implementation process of financial decisions in the following manner:

Stipulations on the procedures for fund approval. After a budget bill is passed, the executive branch will have a legal basis for using state budgetary funds. But in the actual process of spending, parliaments in other countries have another process of control, called the fund release procedure. In some countries, such as Britain, the executive branch cannot access funds and implement their budgets without permission of the legislature. However, most countries think that using funds allocated by state budget bills is the inherent right of the executive branch and that there is no need to get permission from the legislature. Nevertheless, executive branches of most countries are equipped with special organs to manage the raising and spending of revenues. There are two types. One is the built-in treasury system; the other is the acting treasury system. Many major countries in the world, such as the United States, Britain, France, West Germany, Japan, the Soviet Union, and some East European

countries, have their central banks manage state treasuries. So does China. But the management of China's state treasury is still fairly poor and its organization, bookkeeping, and business accounting are all unsatisfactory and subject to frequent errors.

Procedures of budget amendments and supplements. Since the budget is only a distribution plan of state funds, especially since actual economic activities are complex, it is possible that a budget may need to be amended or supplemented during its implementation. Constitutions of all countries have corresponding procedures for this purpose, but they are not exactly the same as the consideration and approval procedures. For instance, France clearly stipulates that all expenditures that legislators have failed to foresee are called budget amendments. If an item of expenditure is not included in the budget, it must be considered and approved separately by the legislature before it can be included in the budget. If the item is already included in the budget but has exceeded its amount, the government may approve such spending when the parliament is not in session. Supplementary expenditures can also be divided into two categories: 1) If the original budget has a ceiling, it cannot be supplemented without the consent of the parliament. 2) If the original budget is only an estimate and has no ceiling, it can be supplemented without consent when the parliament is not in session.

The Constitution of China clearly stipulates that when the NPC is not in session, the NPC Standing Committee has the authority to consider and approve part of the adjustment plan needed during the implementation of the budget. But regulations regarding the scope and amount of "partial amendment" are very unclear and need to be further defined.

Supervision of the authority of budget implementation. After World War II, most countries favored the centralized system and the executive budget-initiative system in the implementation of budgets. In other words, financial planning, administration, management, and control were handled by the cabinet or the Ministry of Finance in a unified manner. The parliament had no power to control or supervise the implementation of budgets. Needless to say, this is a problem yet to be solved by the constitutional government of all countries. Besides, the budget initiative of countries practicing public ownership is greater than that of countries practicing private ownership.

The Constitution of China stipulates that the NPC and its Standing Committee exercise definite control over the implementation of budget, but due to a lack of corresponding rules and regulations on financial budgets, such control cannot be practiced.

### C. Supervision of Audit

Supervision of the audit includes three types: legislative, judicial, and political. In the legislative audit, reports are examined by a parliamentary committee that is responsible to the parliament. In the judicial audit, originating

in France, reports are not under the jurisdiction of legislative and administrative organs. They are examined by the legislature, but only as a formality. The political audit is conducted mostly in socialist countries. It is handled by an investigative organ that is responsible to a central party organization that controls political parties. Although there are many different forms of auditing, the basic function of the audit is identical. That is, to clarify the responsibility of budget implementation through auditing. It not only stresses the results of budget, but also investigates their causes. It not only censures improper bookkeeping methods, but also criticizes inappropriate expenditures, exposes waste and inefficiency, and sometimes involves even punishments.

In China, the performance of the budget includes internal audit of the department that implements the budget and audit by auditing institutions. Because auditing institutions belong to the executive branch and not the legislature, auditing activities are often limited to the period before the executive branch adopts the final account of its budget. But in other countries, auditing is carried out after the final account is adopted by the executive branch.

### III. Effective Financial Supervision System

To supervise finance, the parliament must have a complete financial supervision system in addition to including financial activities into the scope of financial supervision. Specializing the function of financial supervision and continuing to strengthen supervising institutions is a universal trend of the world.

#### A. Direct Supervision by People

In the West, direct financial supervision by the people includes mainly the following few methods: 1) The right to understand. The United States uses the "economic report" method to list and reveal to the public all details of revenue and deficit situations, thus committing itself to supervision by citizens. 2) The right to make proposals. 3) The right to file complaints. For instance, Article 7 of the current French Constitution stipulates that executive and other officials should be held responsible, regardless of whether they have received orders from above, if they encroach upon the right of the people and their representatives to financial supervision.

Having the people exercise direct supervision is the basic principle of the Chinese Constitution. But at present, because the people have very little understanding of financial situations and financial issues remain very mysterious, it is very hard for the people to exercise direct supervision.

#### B. Supervision by State Organ of Highest Power

Although in certain countries, there is friction between the two houses of parliament over the control of the highest financial power, the parliament has always been

the major component of the financial supervision system. The methods of supervision include: 1) the right to understand; 2) the right to address inquiries; 3) the right to ask for explanation; 4) the right to investigate; and 5) the vote of nonconfidence.

In China, the highest state organ uses all of these methods in the process of financial supervision. The present problem is that the phenomenon of confusing party with government responsibilities is very serious in many aspects and localities. Many things, including budget, are still decided by the party committee and carried out by the government. If the NPC wants to exercise supervision, it would supervise the Party Committee. Consequently, financial supervision is often carried out as a mere formality where it is most needed.

#### C. Supervision by Special Parliamentary Committees

Almost every parliament in the world has a special finance-related committee. These committees usually have greater power and higher prestige in the parliaments. Generally speaking, the supervising functions of such committees in Europe and the United States are stronger than those in Britain and countries under British influence. In the first category, constitutions stipulate that all proposals must be submitted to finance-related committees for consideration. The committees may amend each article and clause of financial proposals from a technical point of view. The committee reports often have a decisive impact on parliamentary debates. In these countries, finance-related committees are usually considered a guarantee of the stability of financial system. In Britain and countries under British influence, budget bills and financial proposals are not considered by finance-related committees, which play a much smaller role.

In China, through the preliminary consideration of various financial and economic bills submitted by the NPC, the NPC Financial and Economic Commission has played a definite role in financial supervision since its founding. Further improving the NPC Financial and Economic Commission demands immediate attention.

#### D. Special Supervision by Auditing Institutions

The origin of audit may be traced to ancient Egypt, which practiced slavery 5,000 years ago. However, auditing did not really become a system, especially a component of the national system, until the bourgeois revolution. It was an effective tool used by the parliament in the struggle for control over financial supervision. After World War II, the financial supervision function of auditing was secured in constitutions.

China has made great achievements during the past 5 years of auditing work. But the financial supervision function of auditing has not been exercised fully. There are at least three reasons: 1) The problem of the leadership system of auditing institutions. In other countries,

all auditing institutions, regardless of their affiliation relations, are responsible either directly or indirectly to the parliament. Practice has proved that those affiliated with the parliament seem to have more complete and effective supervision and a greater function of financial supervision than those affiliated with the executive branch. 2) The problem of the scope or target of supervision of auditing. Auditing finance at the same level is the main task of auditing institutions in all countries except for China where it is still impossible to do so. The "Regulations on Auditing," which was just promulgated, has failed to clarify this point. 3) Auditing rules and regulations are incomplete.

#### IV. Several Points of Enlightenment

After roughly comparing financial supervision systems, we can gain at least the following few points of enlightenment:

*Improving the political system of checks and balances is the basis of the financial supervision system.*

Power corrupts, absolute power corrupts absolutely. Because of this, when the bourgeoisie first seized political power in England, it extensively implemented a political system, under which power was divided into three branches that checked and balanced each other, thereby strengthening the financial supervision mechanism for the first time. This was a huge progress in the history of human civilization.

Main problems in China's political system are mixing the party with the government and overcentralizing power in the party committee. Financial budget and other major issues are often handled by the party committee and the central government is controlled by the Politburo, making it impossible for the NPC to fully exercise its constitutional rights and duties of financial supervision. As a result, most financial supervision is carried out only as a formality and very few have any substantial significance. We do not have three branches of power, but checks and balances of power are necessary. The present reform seems to emphasize more the delegation of power to lower levels than the separation of and checks and balances of power. Therefore, we must strengthen the supervising power of the legislature with priority on its financial supervising power. This should be considered a basic part of deepening political structural reform.

*Political and legal responsibilities should be strict.*

As the term suggests, the financial supervision system is designed to restrict activities concerning the receipts and expenditures of government funds. Its objective is to restrict the activity of government. Since it is restrictive, it must have a corresponding, effective disciplinary measure. Here it refers to the constitutional responsibility system, which has two meanings: One is that government officials or the government should have political responsibility to the parliament for what they have done.

The other is that they should have legal responsibility if their behavior is considered illegal. It was because of this political responsibility that the political system of government and parliament was introduced. Legal responsibility means that the government is subject to legal restrictions and is not above the law. There are generally four ways to fulfill constitutional responsibilities: 1) inquiry; 2) vote of nonconfidence with regard to resolutions; 3) veto of confidence; and 4) loss of debate—resignation or dissolution of parliament.

On financial issues, China has established corresponding political responsibilities and stipulated severe political sanctions and legal responsibilities. However, they seem to have achieved little effect so far. Violations of rules, unauthorized approvals, and tax evasions still exist despite repeated efforts to stop them.

*Budgetary process should be scientific and rational.*

Democratic politics is, in fact, procedural politics. As an important political issue, budgetary issues should be considered procedural issues. If the supervision of a certain procedure is omitted or not strict enough, financial supervision would be ineffective and financial functions could not be exercised properly. China's current Constitution has established basic principles for financial supervision, but it is impossible and unnecessary to make stipulations for everything regardless of its significance. To exercise effective financial supervision, we should establish and perfect the financial or budget law, which is the common feature of all countries. Most countries in the world have already formulated similar legislation.

## LABOR

**Millions of Laborers 'Swarm' Into Cities**  
40060452 Beijing JINGJI RIBAO in Chinese  
17 Mar 89 p 3

[Article by Li Yandong 2621 1484 2639: "An Investigation of the Cause of the Great Flow of Millions of Common Laborers"]

[Text] As soon as the Spring Festival of 1989 was over, a wave of common laborers suddenly emerged on an unprecedented scale. Millions of peasants in Guangxi, Henan, Hubei, Hunan, and Anhui provinces have poured along railroads into large- and medium-sized cities to look for jobs. This unexpected "shock wave" has brought about unbearable burdens on urban transportation, food, and health services and on social order. Facing this situation, the office of the State Council issued a special emergency circular, urging all localities and circles to adopt persuasive and administrative measures to strictly control the concentrated mass of laborers going out blindly. We believe that the administrative intervention of government organs and the disappointment of laborers who cannot find jobs would reduce the

momentum of this wave. But the fragile endurance of society exposed by this incident cannot but force us to contemplate rationally at a deeper level.

### I

Obviously, the direct cause of the "shock wave" of common laborers is related to current economic retrenchment. In the second half of 1988, the state began to improve the economic environment and rectify the economic order. Many capital construction projects were held back, and about 5 million peasant construction workers returned home. These peasants paid their training costs when they began their original jobs and have overcome some cultural and psychological obstacles. It is more suitable for them to play the role of a city peasant worker than a farmer in their hometown. Because of this, they are not willing to give up easily on the opportunity of urban employment. This impels them to look for the paradise of reemployment. Township enterprises have been affected by economic retrenchment. Banks and credit cooperatives have reduced loans. Major means of production are monopolized by concerned government organs. Energy is in short supply. All these factors have not only affected urban enterprises but also reduced the momentum of the rapid growth of some township enterprises. Some urban enterprises, which used to have processing contracts with township enterprises, have cancelled order contracts one after another due to a slump in their own business. They have even delayed paying township enterprises a total of 10 billion yuan in processing fees and purchases. As a result, these township enterprises cannot even maintain simple reproduction. This has also encouraged peasants to leave rural areas to look for employment opportunities.

However, these are not the only causes of the "shock waves." We should look for deeper causes in the special historical environment of China's industrialization. The PRC is a large developing country built on the basis that agricultural population accounts for over 90 percent of its total population. Due to the political and economic threats and expansion of advanced industrial countries, the whole nation from the leadership to the masses feels pressured to speed up industrialization. Because of this, we started to carry out large-scale industrialized construction before the average gross national product even reached 100 yuan (the average of developed countries is around 200 yuan). The price system, relatively complete resources of a large nation, the coercive planning and management system, and other characteristics left over from old China made it easier to operate the new accumulation mechanism formed through scissors differential. The fact that industrial development was slanted toward the heavy industry, and the wage, grain supply, and household registration systems established for urban residents were all logical results of the environment at the time. After over 30 years of construction, national industrialization has scored great achievements that have attracted worldwide attention, and a fairly

complete industrial system has been established. However, since industrialization was carried out under the condition that urban and rural areas were separated and the market mechanism was repressed, a series of contradictions have arisen in the course of industrialization. The crux is that urban and rural areas each operate on different tracks separated by the planned economy. Urban areas develop industry, fulfill the production tasks of capital goods for planned transfer, and supply consumer goods to urban and rural residents. Rural areas develop agriculture and supply industrial raw materials and a considerable sum of money needed for industrial development. The operation of such a system has naturally resulted in what people usually refer to as the dual structure of urban and rural areas. Judged from urban areas, industrial slant toward the heavy industry has made us ignore the development of tertiary industries which can absorb a large part of the working population. Low efficiency of enterprises and repeated political movements have substantially reduced urban areas' capacity to absorb laborers. Due to these factors, urban areas have tried for a long time but failed to solve the problems caused by the shortage of jobs, not to mention absorbing surplus rural labor. Under this situation, rural areas have to rely on themselves to solve their employment problem. For many years, the rural land of China has always functioned as a "pressure stabilizer" to release the employment pressure of society. In order to exercise the function of employment "pressure stabilizer," peasants have continued to lower the demand for basic daily necessities and make concessions in this regard. Some places cannot even guarantee their basic conditions for survival. The rural reform has brought about drastic changes in this situation. It has laid a definite material and institutional foundation for peasant participation in the process of industrialization. It has also enabled township enterprises to stand out and develop quickly to become the major carrier of peasants engaging in non-agricultural professions in recent years. In spite of all this, in the past 10 years, township enterprises have absorbed only 84 percent of increased rural labor. The remaining, large numbers of surplus rural laborers have to seek employment opportunities through other channels.

Along with the reform and opening up, the concepts of commodity economy have violently clashed with various old concepts of China's traditional agriculture, resulting in profound social and economic changes in China's rural areas in the past 10 years. These changes constitute another major cause of the great flow of common laborers. The implementation of household output-related contract system on rural land has freed peasants from the ties of the previous system and established their independent social and economic status (though incomplete) as commodity producers. As far as surplus labor is concerned, rural systems have no rules preventing peasants from looking for work in urban areas. Meanwhile, the much envied salaries of those peasants who have found work in urban areas before others have a strong appeal to peasants working on the farm at home. These

peasants, who in the past would rather die than leave their native land, have begun to leave for urban areas via different places through different means. They have quickly spread from the groups of peasants already working in urban areas to every corner of urban areas. More importantly, along with the increase in rural population and land efficiency as a result of the implementation of the household contract system, hidden surplus labor has been brought into the open. According to data supplied by the authorities, China has nearly 100 million surplus agricultural laborers, accounting for more than 20 percent of rural labor. This shocking figure suggests that a considerable number of peasants have no land to cultivate. With the rural market developing, it has become a natural tendency to choose employment in accordance with the principle of opportunity cost. Judged from the viewpoint of peasants, why would everybody want to remain on crowded land if one can make more money by engaging in non-agricultural work instead of farming? Running township enterprises and looking for jobs in urban areas have thus become the unanimous shocking choice of peasants on the warm soil of this divine land. As a result, peasants who have engaged in urban industrial or commercial work in the past few years and millions of peasants who have recently swarmed into cities serve as "vanguards" for the attack of urban areas by hundreds of millions of surplus rural laborers.

## II

The occurrence of this shocking phenomenon—millions of common laborers on the move—is undoubtedly inevitable. But judged from the scale, time, and direction of the flow, there is obvious blindness in this great flow of millions of common laborers.

Currently China has nearly 1.1 billion people, of which, over 800 million are in rural areas. In 20 to 30 years, rural population will far exceed 1 billion, judged by the ratio of urban and rural population. With such a huge rural population, it is obviously impossible to realize national modernization. The reason is very simple. The gross value of agricultural production would never exceed 20 percent of the gross national product in any economically better developed country. Otherwise, it means that peasants are unable to satisfy the growing demand for industrial and commercial products. In other words, only when peasants can steadily earn growing income from non-agricultural jobs are they able to pay for industrial and commercial products, which are their daily necessities, and free themselves from dependence on land. In 1965, China's agricultural output value accounted for 39 percent of gross national product. Today, after 30 years of struggle, the ratio is still 33 percent. This explains that transferring surplus rural labor to industrial and commercial labor is a very long historical process of progressive economic development and that trying to zip through this process in a short period of time can only be wishful thinking.



The influx of large numbers of peasants in urban areas occurred at a time of economic retrenchment when capital construction projects are being cancelled one after another, the industrial structure needs to be readjusted, and the reform urges enterprises to optimize their organizations. During this special historical period, not only is it impossible to increase employment opportunities for peasants, but previously employed common laborers also have to return to rural areas. Furthermore, even if the urban economy is developed after the readjustment, it would still be impossible to quickly develop a large capacity to absorb surplus rural laborers. This is because urban infrastructure has accumulated many problems and cannot meet the needs of economic development; the efficiency of the utilization of capital and resources is low; the number of employment-age urban residents has climbed to a new peak; and the "iron rice bowl" system of urban workers still exists. These problems cannot be solved unless there is a fundamental breakthrough in the economic and political structural reforms of urban areas. If large numbers of peasants blindly rush to urban areas before conditions are ripe, they would not only find themselves out of luck in job searching but also become a heavy burden on urban areas, making it still harder for "improving and rectifying." Therefore, for now and for sometime to come, we should not separate urban areas completely from rural areas, forbid peasants from going out to engage in industrial and commercial work, and concentrate energy on farming, especially grain, as we did before. Nor should we open up the gate to the city and let peasants freely enter the city to choose jobs as some people suggested.

Among millions of flowing common laborers, many believe in luck. They think, "This city is tight but other cities may be better. There is no work to do and no money to make in this city but it may be easy to get jobs in other cities, and I may be able to make oodles of money very quickly." Little do they know that current economic retrenchment is national, not regional. This situation is very much the same everywhere. Especially, since cities with overheated economic growth in the past few years have become the major targets of this retrenchment, peasants rushing to these cities in large numbers are bound to find the "door slammed in their face."

This great flow of millions of common laborers, which is characterized by both inevitability and blindness, may be the prelude to the future move of hundreds of millions of peasants to urban areas. Relying on administrative forces alone to stop it is obviously not enough. We should not be content after persuading peasants to return home for the time being and fail to look for a fundamental solution to this problem. Our only choice is to call great attention to latent social crisis, mobilize economic forces, and guide our action according to circumstances while exercising administrative measures.

### III

With regard to the problem of large numbers of common laborers rushing into cities, we may consider solutions from two points of views: short term and intermediate and long term.

In the short term, we may use the methods of guidance and demonstration to help peasants return to their hometowns and tide over the crisis together with the government. First, we should vigorously guide peasants in engaging in non-arable land in rural areas, such as developing barren hills and slopes, unused waters, and beaches along the coast line. In the past few years, many localities have failed to give adequate attention to the development potential of these resources. The experience of Guangdong, Fujian, and Shandong provinces shows that developing non-arable resources is an important means to effectively use idle resources, develop agricultural productive forces, increase peasants' income, and employ surplus agricultural labor. Government organs and departments concerned at all levels may follow their practices, make overall planning, gather information, and adopt favorable policies to encourage and guide agricultural labor in transferring to non-arable resources and making financial and labor investment in developmental agriculture. Second, township enterprises should take full advantage of the opportunity of improvement and rectification to deepen the reform, vigorously readjust and optimize their industrial structure, and increase efficiency. In order to absorb as much agricultural labor as possible, we should vigorously develop trades, industries, and products which can increase the effective supply of society (such as short-supplied and hot-selling light industrial and textile products; name-brand and high-quality products; products of energy, communications, transportation, and raw material industries; aid agriculture industries which directly serve agriculture; and especially coastal foreign exchange-earning goods). However, readjustments in this regard should be carried out according to our ability.

The objectives of China's agricultural labor transfer in the intermediate and long run should be as follows: develop township enterprises to accumulate funds and train laborers for non-agricultural work; vigorously accelerate the development of market mechanism under the guidance of government industrial policies; guide scattered township enterprises in moving to areas of better investment environment and help rural laborers, who have crossed administrative divisions, in transferring to areas where funds are concentrated; and achieve rural industrialization and village urbanization on the basis of centralizing funds and population, thereby raising the overall level of national industrialization and urbanization. This is only a rough sketch of the general trend of agricultural labor transfer. We do not deny that in some areas or during a certain period, agricultural labor transfer should still be based on "local transfer." But the general trend is that the social nature of natural resources will be used effectively; township enterprises



will be relatively concentrated; and village urbanization and the development of large, medium-sized, and small cities will be coordinated and in tandem. This is a historical choice that would bring about long-term stable development in the national economy and facilitate the transfer of agricultural laborers to non-agricultural work. To achieve these objectives, we should find good solutions to the following unavoidable problems:

1. We should deepen the economic structural reform in urban and rural areas to lay a solid foundation for the rational development and utilization of social resources and for the transfer of surplus agricultural labor to non-agricultural work. In recent years, the reform of large and medium-sized state enterprises has made some progress in popularizing the contract system and experimenting with the share system. Enterprises' ability to adapt to the market has been somewhat increased. However, since there is no corresponding reforms regarding enterprise property rights and market development, existing assets are not liquid. According to pertinent research reports, state enterprises now have 40 to 50 billion yuan worth of idle assets, accounting for 5 percent of total assets. Large amounts of blind input and idle assets have resulted in huge waste of social resources. Large and medium-sized state enterprises are the backbone of the national economy. If their property rights can be clearly defined and if market organizations and rules can be gradually established, assets will naturally evolve through market circulation into a form of effective mixture of multiple resources. As a result, the value of assets will accrue, and compounded value will provide endless employment opportunities. On the basis of fully utilizing current idle fixed assets, we should gradually reform the traditional urban welfare system and have the government organize or establish via mass media an overall monitoring and regulatory system of surplus agricultural labor to give peasants an opportunity to change their social status through fair competition on a social scale.
2. Proceeding from the principle of focusing on market selection with due consideration to the development of economically backward areas, the state should start formulating an intermediate- and long-term national land planning. The planning should focus on regional distribution of productive forces, population density, and urban system. We should use taxes, interest rates, and other means to guide non-agricultural industries so that they can be relatively concentrated in economically better developed areas. We should build and expand a group of cities and encourage peasants to move to these areas. In economically less developed and underdeveloped areas, we should also use economic means to encourage and guide peasants and non-agricultural industries to concentrate in county seats and central towns.
3. We should reform the existing land system. At present, land has two basic functions regarding the household contract system. First, it is the basic resource which household members rely on for survival. Second, it performs the function of social security. If most households cannot gain means of subsistence by engaging in long-term stable non-agricultural work, the social security function of land will not disappear. To adapt to the historical trend of transferring surplus agricultural labor to non-agricultural departments, on the one hand we should give peasants more and more stable employment opportunities in the course of national economic development as a whole. On the other hand, we should establish, through system building, a mechanism to allow free transfer of land use rights, gradually separate the capital goods nature from the social security function of land, replace the social security function of land with a new social security system (such as the worker's pension system of township enterprises), enable peasants who have found stable jobs to free themselves once and for all from their dependence on land, and change their social status as agricultural population. This would undoubtedly play a positive role in alleviating the problem caused by large numbers of peasants rushing to cities.
4. We should invest in labor capital. To transform hundreds of millions of agricultural laborers into industrial and commercial laborers in the course of economic development in the next few decades, we not only need a huge amount of investment to increase the value of capital and resources but also need labor capital investment. Only by increasing education and training funds for peasants can we reduce the number of possible psychological and technical obstacles suffered by peasants entering cities and non-agricultural professions.
5. While developing high-tech industries, we must carefully maintain and develop a number of labor-intensive industries or industries stressing advanced and practical technologies in order to employ as many peasants as possible. This is because due to the limitation of international market and domestic resource supply, Chinese agricultural laborers have only two choices of skills when they decide to transfer to industrial and commercial work. They have to choose either labor-intensive industries or industries stressing advanced and practical technologies. Judged from the situation as a whole, more peasants should be able to enter construction, trade and service, food processing, mining and ore dressing industries, and some processing links of the traditional machine-building industry.
6. We should control the population growth rate. If we cannot effectively curb the population growth rate, we would not be able to find the ultimate solution to the employment problem of surplus agricultural labor. At present, the above-plan increase of rural population is caused in essence by the fact that families try to increase their economic value in society by having more children. This need can be easily satisfied because of the low cost in raising children. So in addition to continuing to exercise direct control over population through administrative and economic means, we should raise families'

cost of living, indirectly guide the behavior of childbearing, guide families in reducing the number of childbirths, and improve the quality of the population.

## POPULATION

### Family Planning Beset With Difficulties

40060469 Beijing JINGJI CANKAO in Chinese  
10 Mar 89 p 4

[Article by Zhu Li 2612 7787: "Family Planning To Emphasize Economic as Well as Administrative Methods"]

[Text] About 200 million fewer babies were born in China since it adopted family planning, certainly a boon to a country where transportation is overcrowded and where electricity and housing shortages affect just about everybody. While family planning has been criticized as inhuman by other countries and has indeed gone against the child-bearing wishes of some Chinese and been condemned as "making it impossible for people to continue their family line," everybody who faces up to China's realities must admit family planning is an epoch-making policy. It will gradually put an end to the Chinese ideas of ancestor and clan worship and the notion that the more children one has, the more blessed one is. This transformation will first take place in urban areas and then spread to the countryside.

Reality, however, reminds us that the change will be slow and hard in coming. Distressingly the birth rate has increased since 1985. What is shocking is that of the 20 million babies born in 1988, half should not have been born. (They were born to couples who already had children or who married early.) Moreover, the bulk of them were born in economically backward rural areas, hastening the vicious circle of "the more children one has, the poorer one gets, and the poorer one gets, the more children one has."

A Japanese demographer has pointed out, "In a developed nation, a declining birth rate is the function of a high level of socio-economic development. China, on the other hand, must consciously apply the law that birth rate matches social development and drive socio-economic development through family planning." The fact that the cause and effect are reversed in China has created a problem that will continue into the next century—depending on the government to control population growth.

The attitude of government and party leaders and some local authorities has been disappointing. At a recent conference for the directors of family planning commissions from around the nation, a provincial family planning commission director said helplessly, "During the past few years, we spent half our time lobbying government leaders at all levels. They should take the lead in family planning, but we end up having to push them into action."

Right now family planning commissions in many jurisdictions basically have to go it alone, with little cooperation from other government departments. For instance, the civil administrative agencies fail in their job to strictly control early marriage and publicize late marriage. As a result, more and more people are getting married early and having children early. Early marriages resulted in 3 million births in 1988 alone. Family planning requires manpower, but personnel departments refuse to allocate workers to family planning commissions. Shanxi Province has come up with these comparative numbers: While the province's Statistics Bureau and the Association for the Handicapped have an authorized staff of 40 and 45 people, respectively, the family planning commission has to make do with only 30. The mention of funds brought the family planning chiefs seated in front of the reporters close to tears. After the family planning function was removed from public health departments in 1983, they were largely defunct. Today many provinces owe their public health departments up to 10 million yuan in oviduct litigation surgery fees. The director of a provincial family planning commission said emotionally, "It took 100 million yuan to renovate the hotel where this meeting is being held. How come funds just dry up when it comes to family planning?"

In the wake of economic structural reform in the countryside, changes have occurred in the social and economic relations between grassroots political organizations and the individual and collective. Administrative tools long in use to implement family planning do not work as well these days. Aware of this change, family planning agencies in certain localities have created many innovative methods in a valiant effort to replace the traditional administrative command style with a new style that proceeds from realities and involves extensive social education and comprehensive services. Many places, for instance, have introduced a prenatal management system and a three-priority system, the three priorities being education, regular work, and contraception, in a departure from the past when family planning agencies relied mainly on administrative tools and shock tactics. The development of a grassroots corps and technical services have been intensified. Basic child-bearing education is being offered to change the public's child-bearing concepts. A scientific management system is being set up. All this basic solid work has given family planning an active rather than passive approach.

The introduction of these new practices has definitely paid off. Still their effects are limited by economic conditions, the educational level of peasants, and the fact that they are not in widespread application. There are 230 million illiterates in China and over 200 million peasants still have no access to electric lights. These people have pitifully low expectations in life, in sharp contrast to our dreams for a better life.

An old peasant in an impoverished mountain area in the northwest told family planning cadres, "I feed three children with one bowl of rice. If another comes along, I just add a bowl of water." A peasant in the gully region

in Shanxi said, "I have a girl. She cannot even help carry the water into the house. It will take two girls to do that." The difference between the objective and the subjective has led to an explosion of "small family" population.

Meanwhile, however, millions of laborers working on public projects are roaming the streets of Guangzhou. The square in front of the Beijing railroad station is a sea of people "dressed in rags." Statistics show that redundant workers in China's urban and rural areas number in the hundreds of millions, forming a 50 million mobile force. Why has it been impossible to bridge the gap between the "large family" and "small family"?

What is the way out?

Some demographers propose family planning methods become more economically oriented, which of course does not mean we should simply continue existing economic methods.

The methods now in use usually impose a one-time fine of several hundred up to a thousand yuan on parents who have more children than legally allowed. This kind of fine is no longer a burden on relatively well-off peasant families. If the family is poor, it only means that it will be burdened with some more debts, which the family is not going to pay back anyway. What can you do to him? He may not be able to afford the child a quality upbringing, but there is enough food to keep him alive. Thus whether they are rich or poor, people just keep on having more children than allowed without a care.

In view of this situation, demographers have suggested that we lower the social economic value and raise the cost of having children. This is the way to really hit every family in its pocketbook. An important reason why family planning has been more successful in cities than in the countryside is that urban living, including enrolling a child in a nursery, housing, education, employment, and lifestyle, has objectively raised the costs of child rearing and correspondingly lowered its social economic value. In the short run, this set of circumstances will not obtain in rural areas due to subjective and objective conditions there. In the meantime, we can introduce such measures as income support for the poor, insurance, and setting up a daughters' fund. In the long run, this is the most effective way to control population growth in the countryside.

After family planning shifts to a combination of economic and administrative tools instead of using administrative methods exclusively, we must seek to change, through mandatory legislation, child-rearing demands that result from a lack of education and a preoccupation with instant benefits. Accordingly, there are now calls for family planning legislation to safeguard the interests of the entire nation. Family planning cadres at all levels consider legislation a sound strategy and are anxiously waiting for it.

China's population will reach 1.5 billion by the year 2025, assuming strict family planning. Thus the Chinese people must bear the burden of family planning as they begin a new century. If rapid economic growth continues unchecked as at present, it would be dreadful to contemplate what China will be like in the next century. The new generation—those who are born or growing up today—will suffer the way we suffer now, from overcrowded transportation and housing and water shortages.

## AGRICULTURE

**Multitrack Pricing System of Chemical Fertilizer**  
40060454 Beijing JINGJIXUE ZHOUBAO in Chinese  
19 Mar 89 p 3

[Article by Huang Yiping 7806 4135 1627: "The Multitrack Pricing System of Chemical Fertilizer"]

[Text] *Editor's Note: The dual-track pricing system is a major achievement of economic reform. It has made a great impact on the current economic movement of China. People have different opinions of its merits and demerits. There are also different forecasts for its future. This article analyzes the multitrack system of chemical fertilizer in a more scientific manner. This analysis actually also applies to the general understanding of the dual-track pricing system.*

The multitrack pricing system of chemical fertilizer is a new economic system arising in the reform. It generally includes several price categories: 1) state price, which is controlled by the central government; 2) local official price, which is controlled by local governments at different levels; 3) above-plan negotiable price, which is managed by governments at all levels; and 4) market price, which is regulated by the market. Because of this, this multitrack system, in essence, still is a special form of the dual-track system which is being widely implemented in China.

### I. Analysis of Supply and Demand Theory

A. The equal distribution situation. If administrative and planning systems are very strong and powerful and well organized, planned chemical fertilizer could be effectively distributed to each and every peasant household. In other words, peasant households would be able to buy at a low price the amount of chemical fertilizer they are entitled to. But since they need much more than this in agricultural production, they have to buy some at the market.

Quantitative analysis tells us that distributing some chemical fertilizers at a planned low price raises the price of those regulated by the market. It does not save peasants any money. (Quantitative analysis is omitted here because it is very complicated.)

B. The unequal distribution situation. We have discovered during actual investigations that the amount of chemical fertilizer that is effectively distributed to peasant households according to plans is rather limited. Most of the chemical fertilizer is deducted in the process of distribution. Those who have connections and cadres have been able to buy a lot more chemical fertilizer at the state price than ordinary peasant households. A 1987 sample survey of Xinxiang City of Henan Province shows that 67 percent of peasants did not get to buy even 1 jin of state-price chemical fertilizer.

Therefore, we can divide peasant households into two categories: One is those who have connections; the other is ordinary peasant households. Let us assume that those who have connections can buy all the chemical fertilizer they need at state price. Since the state price is lower than the average price, average demand must be greater than average market supply. As a result, only ordinary peasant households have to buy chemical fertilizer at the market. Let us assume that they cannot even get 1 jin of state-price chemical fertilizer. Since the total supply remains the same and the average available market supply is reduced, the market price will be much higher than the original average market price.

## II. Analysis of Actual Results

The dual-track system has caused market price to rise. This is the direct conclusion of our analysis. But it cannot help us make any valid judgment. Appraisal should be based on full understanding of the purposes and results of the system.

**Function of Bargaining Chip.** To encourage the application of chemical fertilizer in agriculture, China has long set the price of chemical fertilizer very low and, to a large extent, provided various kinds of subsidies to chemical fertilizer plants, such as direct subsidy, reduction and exemption of taxes, and supply of low-cost energy, etc. This has created a burden for the government. Along with the gradual price decontrol of farm products, the demand and supply relationship has been gradually regulated by the market. This makes it meaningless to continue to supply chemical fertilizer at a low price. So China has begun to loosen its control of the chemical fertilizer market. However, there are indeed some production and other activities, such as scientific research, that need the supply of some planned, state-price chemical fertilizer as an insurance and support. Take grain production, for another instance. The state has to purchase some grain from peasants at a low price. This makes peasants suffer. So the state arranges to supply some chemical fertilizer to peasants at state price as a kind of bargain to make up for the economic and psychological losses suffered by peasants during their grain sales to the state.

In sum, this shows that there are at least two purposes in maintaining the multitrack system of planned distribution and market regulation. The first is to help fulfill the

economic plan as a whole. The second is to achieve fair distribution. Market regulation can increase efficiency, whereas planned distribution can give some compensation to those who have suffered losses, thus making the distribution of interests fairer.

**Rent-Seeking Activity.** A precondition of the above theoretical analysis is that we assume, under both equal and unequal distribution situations, that all planned chemical fertilizer has been distributed to production. But the fact shows that this condition is untenable. A varied amount of planned chemical fertilizer always gets intercepted or lost in the process of distribution no matter where it is. This is the outcome of the rent-seeking activity that is now emerging everywhere.

In fact, distributing state-price chemical fertilizer as planned without suffering any losses can be considered as only wishful thinking under the macroeconomic condition of chemical fertilizer shortage. Rent is a word that originally meant income for landowners. Now economists use it in the reform to mean income from owning certain special products. Because it requires very little or no labor input, everybody wants it, thus resulting in rent-seeking activity.

Let us assume that there are four different prices of chemical fertilizer in one area. The first is the set price of the central government. The second is the official price of local government. The third is the above-plan negotiable price. The fourth is the market price. Because chemical fertilizer is in short supply, whoever gets hold of the first three categories of chemical fertilizer has access to a "rent" income. Because rent-seeking activity involves a series of unhealthy tendencies and illegal activities, it is not irrational for some people to consider the multitrack pricing system as the root cause of unhealthy social practices.

**Process of Income.** Under the multitrack pricing system of chemical fertilizer, large chemical fertilizer plants release large amounts of low-price chemical fertilizer according to state plan, but not all of it can really reach the hands of peasants. This is caused inevitably by those businessmen who cut in during the transfer of chemical fertilizer from plants to peasants and use price disparity to make a profit, namely rent. As a result, a small number of units and individuals who deal with chemical fertilizer have become upstarts. Changes have occurred also in the process of income. Normally, chemical fertilizer flows to peasants and peasants' money flows to plants. Commercial units gain a certain amount of profits from this transfer. But under the multitrack pricing system, middlemen gain too much profit. As a result, plants sell their products at low prices with very little profit, which is bad for production development, whereas peasants have to buy their products at high prices, which is bad for agricultural development. The state subsidizes a large amount of planned chemical fertilizer. Instead of benefiting peasants and production plants, a large amount of it flows to middlemen, making

it impossible for plants to get enough funds for reproduction and weakening the function of market in signaling the shortage of chemical fertilizer.

Two situations have resulted: First, an enterprise manages to repeatedly increase its own sales but often fails to fulfill its state-planned transfer tasks. Stressing negotiable price at the expense of state plan is a very common phenomenon.

Second, larger enterprises have heavier state-planned tasks. A large chemical plant with a high production level sometimes cannot compete with a small chemical fertilizer plant in economic return.

**Social Problems.** Psychological compensation provided by the bargaining chip of chemical fertilizer is actually much greater than economic compensation. Normally, 6 jin of urea is sold as a bonus for fulfilling 100 kilograms [kg] of grain procurement task. If the disparity between state and market prices of 100 kg of wheat is 14 yuan, 6 jin of urea is worth, at most, 6 yuan as a free gift. But in order to make peasants feel that they are even with the government, the government supplies a small amount of chemical fertilizer to them at state price while buying grain from them at a low price. Although the amount is small, chemical fertilizer can play a great role in fulfilling economic plans.

This is true in theoretical analysis, but it is a different story in actual operation. Because of the inefficiency of the entire planning system and many unhealthy practices in the process of implementation, it is very difficult to carry out the chemical fertilizer plan. Many peasants cannot buy a sufficient amount of chemical fertilizer when they need it. The government originally wanted to use this share of chemical fertilizer to make peasants feel even psychologically. But since it failed to consider problems in reality, it has achieved just the opposite and caused peasants to complain everywhere. This is a typical policy of failure.

Another social problem caused by the multitrack pricing system is that the rise of rent-seeking activity has caused all kinds of unhealthy tendencies to spread unchecked and has adversely affected the work efficiency of the government. On the one hand, every year the government has to transfer a large amount of manpower and material resources to fulfill the chemical fertilizer plan; on the other hand, the government has to centralize a large number of people to investigate chemical fertilizer prices and circulation.

The last problem is that since implementation of the multitrack pricing system of chemical fertilizer, the honor value system has been destroyed day by day. It is clearly stipulated as an economic contract that peasants sell a fixed amount of grain to the state and the state would supply a part of chemical fertilizer at state price. But peasants' experience is that the government either

puts off the supply or fails to guarantee the amount of supply. In the past few years, many localities issued chemical fertilizer coupons, but nobody could buy anything with them.

### III. Orientation of Development

On the issue of the development orientation of the multitrack pricing system of chemical fertilizer, many people have expressed their own views. There are basically three groups. The first group upholds the dual-track system. The second group favors unified management. The third group favors market regulation. We will make a simple analysis of the feasibility of these methods.

**Upholding the Dual-Track System.** The dual-track pricing system of chemical fertilizer was formed under the restriction of a series of other economic conditions. Except for the low-price procurement of grain and cotton, all the restrictive conditions mentioned above still exist. So some people suggest that we stick to the dual-track system.

We agree with this view. In other words, if we simply do away with the dual-track system, we would cause confusion and discontent all the same. However, with regard to upholding the dual-track pricing system of chemical fertilizer, we worry about three things: 1) Due to the existence of price disparity, the profit-seeking tendency has become stronger and stronger, especially since reform. We wonder if we are really able to control the rent-seeking activity of those racketeers. 2) Despite the fact that 80 to 90 percent of planned chemical fertilizer has been distributed to the hands of peasants, the remaining 10 to 20 percent that disappeared has caused many complaints among peasants. Not only has this covered up the achievement of the first 80 to 90 percent but its consequences affect far more than the price of chemical fertilizer itself. 3) As we explained in our theoretical analysis, the implementation of the dual-track system has raised the market price, and peasants end up paying just as much money. The only difference is that it has made the supply and demand relationship tenser on the market.

**Theory of Unified Management.** After seeing the chaos caused by the price disparity of the multitrack system in the entire circulation sphere of chemical fertilizer, many people have lost confidence in the market mechanism. So they strongly feel that the only way to protect peasants' interests is to remove all obstacles, restore the unified management by supply and marketing cooperatives, and give dealers both power and responsibility. As a matter of fact, this management method is supported by the masses in some areas.

When all else fails, this method can also be used as an expedient measure. But we can see two problems: 1) If we let supply and marketing cooperatives take over all chemical fertilizer in China, how do we set the price? Some products produced by peasants are sold at high

prices and others are sold at low prices. Then what is a reasonable price for peasants? Since procurement tasks differ among different peasant households, especially among different areas, unified pricing could aggravate the degree of losses. 2) Unlike before, supply and marketing cooperatives have become a relatively independent economic entity. As far as profit-seeking tendency is concerned, there is no difference between it and other units. Besides, price investigations carried out in recent years indicate that a large number of law and discipline violations concerning agricultural capital goods are committed by supply and marketing cooperatives themselves. This also runs counter to the introduction of the market mechanism, which is the general orientation of reform.

**Theory of Market Regulation.** Many people say that only by introducing the competitive mechanism and allowing the market mechanism to gradually regulate supply and demand can we solve the problem in the circulation of chemical fertilizer.

A very simple rule here is that the market mechanism sometimes can solve many problems that the planning system cannot solve. For instance, our current problem is that the supply of chemical fertilizer cannot catch up with demand. Under the market mechanism, the price of chemical fertilizer would rise when its supply declines, thus attracting more investment to the production sphere of chemical fertilizer and gradually achieving a balance between the supply and demand of chemical fertilizer. When the supply outstrips the demand, the price of chemical fertilizer would fall, thus causing some enterprises to reduce production or withdraw from the production sphere and achieving a balance between demand and supply of chemical fertilizer. Competition can also prevent units and individuals from gaining long-term illegal profits, thereby making the distribution of income fairer. This is the general orientation of our reform.

However, we should see beyond this simple, generally acknowledged truth and realize that the commodity of chemical fertilizer has several distinct characteristics. Due to this, introducing market mechanism directly could create several problems. 1) Can we prevent middlemen from seeking exorbitant profits by repeatedly changing hands under the current macroeconomic condition of chemical fertilizer shortage? Especially because China's circulation channels are still clogged, it is obviously impossible to do so immediately. 2) As a special consequence of demand and supply regulation, those enterprises that were forced to withdraw by excessively low prices do not always return to their original production sphere as we expected when prices rise again. What happened after 1985 has already proved this point. If prices are too high and peasants cannot afford to buy chemical fertilizer, agricultural production would be adversely affected, not to mention the fact that the impact alone of such production fluctuation on the national economy can cause peasants' income to be reduced in the next cycle. Therefore, even if chemical

fertilizer price had begun to fall, peasants' purchasing power still could not have been restored immediately. It needs a much longer period. If we allow this double-delay action to continue, it would have a detrimental effect on economic life.

**Basic Trend.** We have not yet found a clear formula to solve the problems of the multitrack pricing system of chemical fertilizer. But according to our analysis, it is totally possible to do the following:

A. To solve the multitrack pricing system of chemical fertilizer, first of all, we should not limit ourselves to the circulation of chemical fertilizer. Since the multitrack system was formed under the restriction of many other conditions, it should be eliminated also under these preconditions. For instance, low-price grain procurement should be abandoned or replaced by high-price procurement. Or other methods should be used to compensate peasants to keep them from suffering too much loss.

B. Under the current chaotic conditions in the circulation of chemical fertilizer, which urgently need to be controlled, we may use unified management as an expedient measure. But the effectiveness of this measure is determined completely by the strength of the entire administrative and planning system. It may also reduce the efficiency of actual distribution. Therefore, we must be mentally prepared to pay such a high price.

C. The orientation of reform must be to introduce the market and competition mechanisms. Only by so doing can we increase efficiency and effectively regulate demand and supply. Therefore, all new measures and methods adopted must be oriented toward the introduction of the market mechanism. Attempts to maintain the dual-track system for a long period of time or to restore a unified management system can only create obstacles for economic development.

D. The market mechanism should be introduced step by step. Especially under the current shortage of chemical fertilizer, the primary task during the initial period of introduction is to prevent chaos. We should gradually introduce the competitive mechanism, avoid the practice of repeatedly changing hands, and make sure that the transition is smooth.

We think that in the short run, unified management may be an expedient measure; in the long run, introducing the market mechanism is a correct orientation. However, in the process of actual implementation, we should pay attention to carrying it out step by step and conscientiously strengthen management.

#### **Shortage of Forestry Resources**

40060410b Beijing JINGJI CANKAO in Chinese  
15 Mar 89 p 2

[Article by Long Xiangchao 7893 0686 6389: "Firewood Burned, Thrown Away"]

[Text] China's problem of a shortage of forestry resources is becoming worse and worse. In the 1980s the annual shortage was 20 million cubic meters; it is now

more than 200 million cubic meters. People generally see the cause of the shortage in destruction of forests to open up wastelands; disorderly felling and denudation; use of resources for building houses, adding on rooms, or fence construction or repair; as well as forest fires. The waste of firewood burnt in everyday life or tossed out has reached severe proportions, although this matter still has not attracted adequate consideration.

### **Kitchen God's Appetite Astounding**

In present-day life in China, every household has a small stove or range, regardless of whether they live in rural or urban areas. Excluding the minority that uses coal, electricity, or gas, approximately 80 percent burn firewood in sacrifice to the Kitchen God. Who has ever taken note of how much firewood is burned in one year, day after day, month after month? A study of Liping County, in the forest of southeast Guizhou province, found that annual rural area per capita burning is about 1,800 kg of firewood and grasses; cooking one kg of rice takes 0.8 kg of firewood; they also boil water, fry vegetables, warm themselves, cook livestock feed, etc. A family of four will burn at least 3,000 to 4,000 kg of firewood per year. According to statistics of the China Energy Resources Research Group, the whole country annually consumes 140 million cubic meters of fuel forests and forestry resources, more than 40 million cubic meters of the annual shortage, accounting for one-half of China's total consumption of forestry resources, more than 23 times the 60 million cubic meters of timber to be grown annually under the state plan.

One year ago, when I went to the timber production centers of Yunnan, Guizhou, and Sichuan on interviews, I saw that people had split for firewood fine pieces of wood that were neither too thick nor too thin. Walls of firewood almost as high as their houses were piled around in front of and behind living quarters and units. According to statistics, the southeast forest of Guizhou will burn down 14 million cubic meters of useful timber more than 4 cm in diameter, an amount 2.8 times that of the annual timber production plan of recent years. Residents and certain units in the Daxingan forest of Inner Mongolia burn more than 2 million cubic meters for daily use. This is worth more than 200 million yuan in monetary terms. In a particular forest of Jilin province, residents annually consume as firewood 67 percent of reserves.

The head of the Yunnan Province Office of Forestry told me that the province has a forest area of 143 million mu. Forest supplies are 998 million cubic meters. Annual timber production is only 27 million cubic meters, but annual consumption is more than 39 million cubic meters, of which, more than 22 million cubic meters is used as firewood by urban and rural residents. Annual fuel firewood consumption is higher than 56 percent, while planned timber production is only 9.7 percent. Since consumption exceeds production, Yunnan's forest

area in recent years has gradually lost approximately 1.5 million mu, equivalent to four times the province's entire average forest creation and conservation area.

In addition, pertinent departments in Guizhou made a calculation: In the 40 years since liberation, rural areas of the province (excluding urban areas) have burned a total of 218 million cubic meters of wood, equivalent to nine times its commodity timber production since the country was founded. The province's forest cover rate dropped to 13 percent from the 27 percent of just after liberation. One major reason is that the Kitchen God's appetite is too big!

### **"Three Remainders" Waste Shocking**

China's per capita forest area is 121st in the world. Per capita timber consumption is only equal to 9.4 percent of the global average. China is a typical forestry resource poor country. As a consequence, the waste is astonishing.

While conducting my interviews, I saw that people had cut down and thrown wood onto the hills in felling areas everywhere. Tossed onto the hillsides were whole logs that did not conform to size requirements after being sawed up, big trees that were hard to transport, and even a six or seven cubic meter tree trunk. There were even more tree tips, treetops, and tree crotches. In the felling area of the Jinsha Jiang forest where collection and transport had just finished, I walked from east to west on a mountain. My feet stepped on wood left behind everywhere. It was as though I was strolling along the ties of a railroad. Data provided by the pertinent departments says that China's current timber production rate is only 40 to 45 percent. That is to say, it takes approximately 2.5 cubic meters of forestry resources to produce one cubic meter of timber. One example of the serious waste is that it takes more than 150 million cubic meters of resources, of which, 90 million cubic meters are ruined, to produce 60 million cubic meters of timber in one year.

Another example is that comprehensive utilization is poor. Comprehensive timber utilization includes felling, forestry management, plus the remaining surplus (hereafter abbreviated as the three remainders) as a raw material for producing paper pulp, fiberboard, shaving board, plywood, etc. At present, China's annual "three remainders" exceed 100 million cubic meters. The utilization rate is only around 7 percent, while it is higher than 80 percent in the developed countries. Taking the artificial board industry (including fiberboard, shaving board, and plywood) as an example, the global production ratio of artificial board and raw timber output are 1:30, or, one can only produce one cubic meter of artificial board from 30 cubic meters of raw timber. The ratio in the United States and Canada is 1:10, while in China it is about 1:50. The ratios for some provinces are even greater; in Sichuan, it is 1:216.



If we can raise China's utilization rate of the "three remainders" to 50 percent, namely, if we can utilize 50 million cubic meters of surplus materials, then we could annually produce more than 16 million cubic meters of artificial board. Each cubic meter of this kind of artificial board can take the place of three to five cubic meters of raw timber. In other words, 16 million cubic meters of artificial board are equal to more than twice the 30.38 million cubic meters of raw timber China imported at a cost of \$2.8 billion during the Sixth 5-Year Plan period. This amount could produce 12.5 million tons of paper pulp, 1.77 times the 7.08 million tons of paper, paper pulp, paper board, and waste paper we imported at a cost of \$2.8 billion then. This shows that comprehensive utilization of forestry resources is an effective way to open up, protect, and develop resources.

### Abuse of the Splintered System

Many experts and practical workers feel that it cannot be very difficult for every department to strive to make up for the forestry shortage if only they give heed to restraining the popularity of firewood stoves and comprehensive utilization. At least half of the shortage could be reduced within two to three years.

There is no coal in the county of Sansui in the southeast forest of Guizhou. In the past firewood was the main rural fuel. Prior to restraining the popularity of firewood stoves, the county burned a total of 280 million kg. This figure has now dropped to 165 million kg, at a savings of 41 percent. Calculating according to a nationwide savings of 40 percent, 56 million cubic meters less of forests could be consumed in one year. Furthermore, if the felling rate was improved to 50 percent, the production to consumption ratio would become 1:2. Production of 60 million cubic meters would only take 120 million cubic meters worth of resources, or a savings of 30 million cubic meters over present consumption. Economizing and improving production rates would annually reduce the shortage by 86 million cubic meters. Wouldn't we be able to make up for the shortage by doing so, along with measures such as creation of fuel forests, substitution of coal for firewood, development of timber forests, and comprehensive processing and utilization!

In that case, why is the issue of China's forestry resources shortage becoming more serious each day? The essential problems are that the division of management has been overly detailed, there are too many departments, they mutually shift work responsibilities, restrict each other, and even discount one another. I heard the following during my interviews:

A person in charge of the forestry office of a certain province said that it will be hard to solve the forestry industry's problems while the issue of the leadership's understanding of the economic and strategic position and role of the industry remains unresolved. If a province burns 22 million plus cubic meters of forestry resources as firewood, it should first consider the masses'

fuel use in daily life. However, everyone is allowed to grab at ready-made goods now that agricultural departments handle issues of economic forests and rural resources, methane gas is handled by scientific committees, and fuel forests are given to us "foresters" to handle. In reality, it is up to us to make investments.

Someone in charge of the agricultural bureau of a certain county said that we should put together timber use, economic forests, and water conservation in developing the forest industry, but forestry departments only handle timber use. In the end, the masses will cut their China firs and pines to feed their stoves.

Comrades from a certain scientific committee and energy resource office said that our task is to propagate energy conservation and popularize methane gas and firewood saving stoves. We can only do as much as we get funds from above.

The head of a felling brigade in the Jinsha Jiang forest said that it is not a waste to improve production ratios. But the mountains are high and the roads are distant there, so collection and transportation are difficult. Second grade timber cannot be brought to places of delivery. It is possible to utilize comprehensively, yet there is a XINHUA paper plant atop of Shigu where work is held up for lack of material. Besides the distance of taking branches and treetops for processing into paper pulp, the cost of which is not reckoned, plus the fact that one has to pay forest resources subsidy costs, this tax, and that tax—why bother? They simply select the big cuts on the mountainside and send those off!

Therefore, many experts and practical workers say that it is essential to have a department capable of overall "forestry." We should not make "enfeoffments and separatist regimes." Put the departments in charge in charge, and have those who should let go of authority let it go.

### Measures Adopted To Increase Cotton Production

40060432a Beijing JINGJI RIBAO in Chinese  
24 Mar 89 p 2

[Article by Shi Jianwei 0670 1696 0251 and Chen Qigan 7115 0796 3227: "Seize This Advantageous Moment for Dealing With Cotton Production"]

[Text] Production and procurement of cotton in China have vacillated for several years in a row. In 1985, 3.5 million tons were purchased nationwide; in 1986, 3.1 million tons; and in 1987, 3.9 million tons. In 1988, although the area sown in cotton exceeded that of 1987 by more than 7 million mu, because of frequent rains, wind, hail, and insect plagues the downward production trend did not make a turnaround. Procurement was about 3.5 million tons. Concurrently, annual cotton demand is higher than 5 million tons, in line with the people's higher living standards, growth of the textile industry, increased exports abroad, and a rising scale of cotton consumption. The amount procured is far from



meeting demand. Little state cotton reserves are left after several years of consumption, and industrial and commercial stocks are at minimal levels. The situation is serious. That various accounts say cotton production might take a landslide this year is an extremely dangerous signal.

Cotton is an important commodity for China's state economy. The series of cotton-processing industries, including export industries, critically affect the producing industries of the state economy. The Central Committee and the State Council are very concerned about the cotton situation. They have convened many study meetings since October 1988. In January and March of this year, they formulated two successive policies to adjust cotton procurement in order to increase cotton resources by motivating peasants to plant cotton as well as various levels of government to pay attention to it.

These policies adopted by the state are not only forceful measures for mitigating the overall macroeconomic supply and demand disparity; but, moreover, they will make the vacillating production situation turn into an advantageous turning point. It is entirely possible to seize the moment.

First, regarding new cotton on the market in 1989, the state decided to raise the procurement price of standard grade lap-ginned cotton by 20 percent over 1988 actual procurement prices. A normal year's harvest could increase national cotton cloth income by approximately 3 billion yuan. Other cotton production motivation measures currently in effect will continue unchanged, such as the bonus sale of 70 jin of chemical fertilizer and 5 jin of diesel fuel per dan of cotton, and subsidies on cotton from outside the province on a per jin basis to readjust price differences. These measures will make the parity price of cotton approach rational levels. It takes effort to promote the policies, so we must educate the peasants about the situation. For many years the state has spent enormous financial and material efforts to develop cotton production. Now that the state is in trouble, the peasants must show understanding. We must help the peasants reckon the bill on changes in income over a decade of reform. We must teach the peasants to take national interests as their starting point, to grow more cotton, to grow good cotton, and actively to sell it to the state.

Second, we must implement complete rationing of cotton taken from the countryside. This is based on the state's minimum demands, determined by cotton production in recent years, procurement, actual allocation, and the level that can be produced this year. More than 1.2 million tons of cotton are taken from seven provinces and autonomous regions nationwide. The remainder after rationing is divided by province. Beyond contract fulfillment, orders are placed in the ratio of 30 and 70 percent, respectively, for the central government and local authorities. In this way, main cotton producing areas have a lot of surplus and autonomy. We should

strive to expand the area of cotton fields and try to gain the initiative. We must strengthen leadership and do a good job of deeper and more explicit propaganda. The sown area of cotton is still uncertain. Some peasants are still hesitant. This is a great opportunity to grab cultivated lands that have just opened and have not yet been planted, or some lands vacated in the spring.

Third, although there is complete rationing of cotton, clearly the rationed amount far from meets the demand of countryside areas. In general, only about 70 percent of the plan for textile cotton is met. This puts tremendous pressure both on cotton producing areas that do not meet demand and on purely sales areas. All regions receiving cotton can only work according to their allocation, and "live frugally." When there has been a cotton self-supporting province previously, the state would reduce or cancel its allocation. These regions can overcome their passive condition by striving to develop production, or by raising their ratio or becoming self-sufficient as soon as possible. Big industrial cities that are economically powerful and strong can, on the one hand, thoroughly implement the policy of "both ends abroad" by importing some cotton through foreign trade departments, and on the other hand they can jointly develop cotton resources by inputting funds and technology in horizontal integration with producing areas.

If we can seize the advantageous moment described above to expand cotton production, there may be a turning point in China's cotton production and procurement. Of course, we still must do a lot of work to turn the opportunity into reality. For example, right now is a great chance for spring planting and preparation for sowing. Every level of cadres in cotton-producing areas should put their main strength in ensuring sown areas for cotton. Main producing areas in particular should not haggle over every ounce of cotton taken from the countryside for distribution. They should set their sights on expanding production, and on solid implementation of policies and measures to increase output. This benefits both the whole and the part. We must do a good job of the necessary work concerning supply and demand of agricultural material for cotton production. Bonus chemical fertilizers should be distributed to the hands of the peasants in a timely manner. Commercial departments have already sent from Guangdong to the inland nearly 10,000 tons of urgently needed pesticides for cottonseed dressing, such as the highly effective carbofuran. It should be supplied to peasants everywhere in a timely way. Although agricultural coating materials are relatively abundant, we must still do a lot of work and get them to the peasants, not neglecting agricultural time frames. Last year some areas produced and sold false pesticides to the peasants, creating serious jeopardy. We must firmly halt this practice and not allow it to recur. In sum, everyone now knows the conditions faced in cotton production. We already have the means for expanding production. If only we do our work well, the outlook for this year as well as next and the one after can be

optimistic. If we succeed at producing cotton, it will have a profound influence on improving the economic environment, rectifying the economic order, and deepening overall reform.

**Sugar, Salt Production Down in Fujian**  
*40060410a Beijing JINGJI CANKAO in Chinese*  
*13 Mar 89 p 2*

[Article by Xiao Luntian 5618 0243 3240: "Investigation of Sugar Cane and Salt Industries in Fujian"]

[Text] Salt and sugar, one sweet and one salty, used to be the two dominant products of Fujian province. Recently, their production has gradually fallen. Production of sugar cane has slipped every year since 1985—in 1985, the area of cultivated sugar cane accounted for 1.1 million mu. In 1986, it shrunk by 130,000 mu. In 1987, the area fell by another 160,000 mu. In 1988, another 70,000 mu was lost. Regarding cane sugar production, in 1985, it was 520,000 tons; by 1988, it dropped to 330,000 tons. Average annual salt production from 1980 to 1987 was more than 780,000 tons. However, annual provincial salt consumption is 900,000 tons. Insufficient production for sales has resulted in consumption of reserves.

Poor salt and sugar production has affected state plans and local fiscal income. The government is anxious. Cadres are anxious.

Why has Fujian's dominant "sweet" and "salty" production fallen?

**Prices in a Slump**

The prices of salt and sugar have always been kept down. After liberalization of prices on some agricultural and sideline products, salt and sugar were still not liberalized, they had "attached prices." Compared to cultivation of cash crop or engaging in light industry, this meant a lack of economic returns for cultivation of sugar cane and production of salt respectively.

One mu of land ordinarily produces 4.5 to 5 tons of sugar cane at a sale price of 130 yuan per ton. There is a price difference of about 40 yuan between the buy back price of 10 kg of raw sugar versus the bonus for selling 62.5 kg of unprocessed food grains of 10 kg of nitrogenous fertilizer. Thus, one can earn 170 yuan from one ton of sugar cane, and from 765 to 850 yuan by cultivating one mu of it. However, growing sugar cane means a lot of work and a big investment. After cutting it down, one must hire a truck to transport it to the sugar plant. Since the harvesting season is busy, the plant cannot necessarily take delivery on arrival. Sugar cane farmers waste work time, not making it worthwhile at all.

If one grows other cash crops, the economic returns are higher, plus one does not have these problems. In addition to saving labor, one can earn more than 1,000 yuan

and harvest 150 kg of tomatoes and 2,000 kg of peanuts by growing dual season peanuts and single season tomatoes. The income from food grains is also higher than from sugar cane.

In the salt industry, administration and sales are specialized, while production and marketing are unified. Prior to 1987, the sales price per ton of salt was 56 yuan, costs were 49.32 yuan, and non-administrative outlays were 3.16 yuan; one could get a profit of 3.52 yuan from production of one ton of salt. However, crude salt is an important raw material in the soda industry. There is a great disparity between its price and that of caustic soda and sodium carbonate. Two tons of salt can produce one ton of caustic soda, the price of which is 800 yuan, or 1,600 yuan for negotiable price soda. The Fujian provincial government adjusted the sale price per ton of salt up to 100 yuan in the second half of 1988, although the cost of transporting it and other expenses increased along with it. Fujian Salt Bureau statistics indicate that between June and December 1988, expenses per ton of salt rose to 33.68 yuan from 17.4 yuan in the first half of the year, meaning an additional expenditure of 2.6 million yuan over seven months. According to 1987 statistics, salt workers in Fujian province only made 918 yuan versus the average income of 1,700 yuan made by laborers in light industry.

**Contradiction in Land Use**

The sugar cane area of Fujian province is mainly located in five districts and cities of the province's southeastern coastal region. This 7.6 million mu area of 13.967 million people is a typical site of many people of little land. In the past few years the peasants have been growing many economic crops, crowding the grain fields. This year they are growing grains, naturally squeezing the land used for economic crops. Since the development of foreign-exchange earning agriculture, sugar fields and saltworks have been ruined in many places in favor of shrimp and eel cultivation. Tongan County destroyed 40,000 sq mu (6.6 sq mu is equivalent to 1 mu) of saltworks for cultivation, meaning 30,000 fewer tons per year of crude salt in the Xiamen region. According to incomplete statistics, approximately 100,000 sq mu of saltworks provincewide have been destroyed in favor of cultivation.

**Slanted Investments**

An incomprehensible question is that the state spends a huge amount of foreign exchange every year to import caustic soda, sodium carbonate, and crude salt, yet its investments in the "sweet" and "salty" industries are entirely "stingy."

Data provided by light industrial departments indicates that in 1988 the state imported 3.3 million tons of raw sugar, equal to 76 percent of domestic sugar production,

spending \$800 to \$900 million in foreign exchange. As for what the state spends in foreign exchange to import caustic soda and sodium carbonate, it is several \$100 million per year.

Salt and sugar are important industrial raw materials. The state annually allocates from Fujian 470,000 tons of crude salt and 160,000 tons of sugar, but for many years now it has practically not invested in the salt industry. In 1987 and 1988, the Ministry of Finance the State Planning Commission, and the main branch of the Bank of Agriculture jointly planned to lend Fujian's salt industry 10 million yuan for technical renovation investments, but the provincial Bank of Agriculture had no money to lend the Salt Industry Bureau because of overextended agricultural credit.

At present, less than 40 percent of the equipment in Fujian's salt industry is intact. Approximately one-third of the area's motive power and illuminated equipment is on "active duty" too long and runs with defects. The industry needs 3,000 tons of diesel fuel annually. Last year it only received 200 tons of set price diesel fuel.

In recent years the state has put great effort into investments to develop the soda industry. However, due to shortages in the salt industry, an investment of 40 million yuan to build the Fuzhou Nitrogenous Fertilizer Plant still leaves it only running half time. Other medium- and small-sized chemical plants have already eaten breakfast but there is no lunch.

Regarding investments in saltworks, the situation is in even greater disarray. In reality, the materials to set up saltworks are extremely simple, and investment need not be very high; investment for a one sq mu area is about 1,000 yuan. However, because crude salt production is doubly taxed with low prices, the profit per ton of salt is only 3.52 yuan. Even if there were no taxes, profits per ton would still only be 5.56 yuan. It would take 224 years to recover the investment on a one mu saltworks calculated according to annual crude salt output of 0.8 tons per sq mu.

#### The Idea of "Uniting Salt and Soda"

There was a raw materials crisis several years ago in the paper making industry. Fujian province then put the emphasis of the industry upon forestry departments. Several large paper making plants allocated a certain amount of funds each year to develop fast growing high yields forests, taking the path of "uniting forests and paper." The future of the paper industry temporarily is bright. With one step, Fujian province has become one of the state's three major paper making provinces.

This brings us to wonder, what would things be like of the salt industry were made a base of the soda industry? Isn't the idea of "uniting salt and soda" similar to "uniting forests and paper"?

#### Prospects for Solving Guangdong's Grain Problems

40060375 Hong Kong CHING-CHI TAO-PAO  
[ECONOMIC REPORTER] in Chinese  
No 9, 6 Mar 89 pp 14-15

[Article by Yang Aiyi 2799 7224 0308: "Will the Gloom of Grain Problems in Guangdong Turn Into Clouds?"]

[Text] I still remember 1984, when China achieved its highest grain yield ever—400 million tons. One inland newspaper after another reported that the peasants were having trouble selling grain, storage space was full, etc. For a time it appeared that China's grain problems were solved. Since then, however, grain production has slid down again. For several years it has faltered without advancing. Shortly after last year's fall grain harvest, grain buying sprees suddenly broke out with tremendous force in various big cities, unique in China since the communists founded the PRC.

#### Guangdong Grain Prices Steadily Rise; Rice More Expensive in Shenzhen Than Hong Kong

Let us now visit the scene in neighboring Guangdong Province.

For the last 10 years, Guangdong has led reform in China and the country's opening to the outside. Economic growth has been rapid. The people's standard of living is much better. Market supplies of nonstaple food are much more abundant than in the 1970s. Urban residents' grain consumption is gradually dropping, and many people cannot eat all of their monthly grain rations. Many years ago, village grain stores promoted rice sold at negotiable prices. The quality of this rice was superior to that of rice at parity prices, although buyers had to deduct more from their grain ration limits besides paying two to three times more than the rice parity price. Buyers of one jin of negotiable price grain had to pay for two jin of the rice at parity prices. For example, a resident with a 30 jin per month of rice at parity prices could only purchase 15 jin of rice at negotiated prices. Despite this, many workers with surplus quotas desired to purchase negotiable price rice. In August 1984, the Shenzhen Special Economic Zone [SEZ] fully opened up the grain market by abolishing the state monopoly on grain marketing. Residents no longer need to carry rice certificates to specified grain shops to buy rice; this is an extraordinary accomplishment for the mainland.

Nevertheless, Guangdong and Shenzhen all but narrowly escaped a grain-buying spree at the end of 1988. Grain shops sold out of negotiable price rice, so the average resident could only revert to buying rations of rice at parity prices. Meanwhile, prices of rice on the free market skyrocketed. In Guangzhou, negotiable-price rice that used to be approximately 6 jiao (RMB, and the same following) per jin in rice shops rose to 1.1 yuan, 1.2, or even 1.6 to 2.0 on the free market. In Shenzhen, rice originally ticketed at 1.5 per jin jumped at once to 1.8, 2.0, 2.5, and 3.0, while imported rice rose as high as 5.0

or 6.0 per jin; rice prices were more expensive than in Hong Kong. Due to this fact, some people continued to hoard rice. In the space of several short days, supplies of rice at certain department stores were completely gone because of panic buying. Then people started panic buying other grain products, such as rice flour, noodles, bread, etc. The Shenzhen government was forced to take drastic measures. It reinstated resident grain supply cards which card bearers take to specified grain ration shops for purchases. Even though they took a step backward, this truly stabilized the local residents' panic psychology temporarily.

It became necessary to pair up grain quota supplies for Guangzhou residents in pairs of 20 and 80 percent; for example, supply 80-percent rice and the remaining 20 percent in noodles and manufactured goods. Furthermore, each month's allotment must be used up in that month. If a resident does not use up his allotment in a particular month, he cannot shift the remainder to next month. The city of Guangzhou also issued a type of grain ticket tied to dining hall meals in order to more efficiently control total grain demand. Residents receive these tickets for their own monthly grain quotas from grain shops. They cannot purchase grain unless they exchange them in turn for meal tickets at the dining halls of the units they belong to. Since issuance of grain tickets is tied to board, the scope for usage of the original general grain tickets in the city has been tremendously reduced; it can be said that they have basically become invalid. Many units and individuals hold these tickets in vain.

#### **Too Many Migrants, Circulation Channels Impeded**

Every year, the grain produced in Guangdong province can satisfy five-sixths of the province's demand. The remaining one-sixth is gotten from grain-surplus provinces. Although the province's grain output was lower in 1988 than in 1987—1988's grain output was 16.367 million tons compared to 1987's 16.717 million tons—a reduction corresponding to the national average grain output drop of 2 percent, still, this is much better than the 12-percent lower yield in 1985. So, why was there no panic in 1985 and on the contrary such a great grain buying spree in 1988?

A critical issue is that of grain circulation channels.

Guangdong must purchase 5 billion jin of grain from other provinces each year. Two main methods have been taken in the past: one, the central government-directed plan of turning negotiable prices into parity prices; and two, dispatch of Guangdong provincial grain department personnel to surplus grain provinces to buy at market prices. The astounding price inflation on goods nationwide in 1988 plus Guangdong's upward adjustment of grain parity prices in April was deeply unsettling to neighboring grain-surplus provinces. They worried that Guangdong's buying of high-priced grain would raise their own grain prices, and high grain prices would reverberate to other agricultural goods, making already

higher prices jump wildly, affecting popular feeling and social stability. Therefore, many provinces took action to strictly control the outward flow of grain. They practiced "grain separatism." These circumstances are a direct cause of Guangdong's sudden grain shortage. This is one side of the problem.

On the other side, in recent years industry has energetically developed in the reknowned granary of Guangdong Province, the Zhujiang delta. A great number of factories occupy agricultural land, directly affecting the output of the peasants. Moreover, the labor population from other provinces is continuously swelling, turning the granary into barren land.

Every level of government in Guangdong Province understands that a shrinkage of cultivated land may affect the reduced yields. They repeatedly stress that factories cannot appropriate cultivated land but must use hillsides. However, in actual practice, many factories have appropriated precisely the cultivated lands along either side of transportation routes in order to attract foreign investment. Furthermore, if a plot of land is used for agricultural crops, the annual income is very low, while if a factory were leased, one can often earn an income 10 times higher than in agriculture. After building a factory, not only is the cultivated land appropriated, but the majority of peasants are thrust out of agriculture and into industry. As a result, even more fields become barren. In some areas, peasants employ other peasants in outlying areas to fulfill state purchasing contracts. Others substitute money for grain, turning over to the government cash equal to grain bought at negotiable prices in lieu of the grain quota required to fulfill a contract.

Although all the able-bodied young peasants in the Zhujiang delta area have already entered industry and commerce, there still is a severe labor shortage in the area due to exceedingly rapid industrial growth. As a result, the area continues to attract labor from outside. At the outset, much of the labor came from Chaoshan in Guangdong and other places in northern Guangdong, later gradually coming from Hunan, Guangxi, Jiangxi, Sichuan, and other provinces. The migrants have greatly increased. According to incomplete statistics, until the Spring Festival, the number of migrants in Guangdong had reached 4 million. Guangdong naturally is responsible for the grain to feed them; annual consumption is estimated at 1.6 billion jin. The pressure of the migrant population has aggravated the grain shortage problem in Guangdong.

#### **Non-Guangdong Peasants Break Barriers, Zoumagang Market Business Brisk**

Although grain-surplus provinces have adopted measures to severely halt the transport of grain outside, many peasants from other provinces still think of ways to break the barriers. They carry rice to sell in Guangdong. Sales prices here are really too attractive, quite a few

times better than official prices in producing regions. It was reported that the contracted procurement price per 100 jin of rice is less than 20 yuan. When selling surplus grain to the state at negotiable prices, the highest directed grain prices for many provinces is still not more than 30-some yuan per 100 jin. But in Guangzhou, the average price of rice per 100 jin during January was 105 yuan. Therefore, during the grain-selling spree of 1988, peasants from Hunan, Jiangxi, and elsewhere did not mind traveling hundreds of miles. They came through various roadblocks to bring grain to Guangdong in order to sell it at comparatively higher prices. Often these peasants were in groups of 3 to 5 people, each carrying several hundred to 1,000 jin of rice. They avoided the patrol guards and climbed aboard trains. Once aboard, they had to pay the train attendants a certain amount of grain transport charges. After arrival in Guangzhou, they often stayed 2 or 3 days, returning to their hometowns after the grain was gone. Although they faced hardships without name, and were weary of travel, they could earn several hundred yuan on one trip just selling grain. Thus, there is an endless stream of those who would sell grain in Guangdong.

At the very beginning, peasants from elsewhere had only to stand on the train platform to sell grain. Later, the Guangzhou municipal government set up a grain market for them behind the train stations at Sanyuanli and Zoumagang. Many who came to that market to sell grain became employees of import-processing and rural enterprises. At its height, it is said that some several hundred thousand jin in sales was transacted each day in train cars stopped outside the market. However, when I visited this market the middle of last month, I discovered that the number of people who came here to sell grain was greatly reduced. According to several peasants from Xiangtan in Hunan Province, Hunan Province adopted stern measures around the Spring Festival. Public security personnel were on patrol all around the train stations. If they discovered anyone transporting grain outside the province, they flashed a state badge and confiscated all the grain. As a result, there are relatively fewer grain sellers now.

#### **Grain Shortage Ameliorating; Arrangements Made by Foreign-Invested Enterprises**

It should be said that at the height of the grain shortage, relatively more pressure was on the foreign-invested enterprises [FIEs] and import-processing enterprises that employ labor from other provinces because these enterprises find it very hard to bear when prices rise wildly since they normally purchase grain at the market. However, many areas quickly took appropriate measures. The average factory enterprise can report its temporary residents to the local labor departments and dispatch offices. After they receive approval, they can issue grain cards to stipulated grain shops to supply 25 jin of rice per worker at negotiable prices slightly lower than the market price. If the specified number of tickets is exceeded,

they must go to the free market themselves and buy enough to make up the difference. The Guangdong provincial government's present policy is to use local grain to supply township enterprises' workers. If there is not enough locally, they are not allowed to set up. Generally speaking, there is basically enough grain to ensure supply.

It is hoped that in the next few months the gloomy grain-selling trend in Guangdong Province will turn into clouds, and gradually mitigate. This is because the state purchasing contract responsibilities for grain-surplus provinces have basically been fulfilled. Moreover, the central government made policies to rescind tight money and control credit at the end of 1988, compelling grain-surplus provinces to loosen exports of grain in order to receive funds. Furthermore, as the spring planting begins, peasants are required to sell out all the surplus grain they have stored and convert it to cash in order to expand output. At the same time, the grain purchased abroad by the Guangdong provincial government with foreign exchange in 1988 has arrived and reserves are growing. In February of this year, there was a clear amelioration of the grain shortage. After the Spring Festival, all the grain shops in Guangzhou posted notices about abolishing the measure in which all grain for a month must be bought in that month; residents who do not exhaust their grain allowance in one month can carry it over to the next. Grain departments are controlling grain more efficiently to avoid residents' tossing surplus grain into the hands of speculators. They also promoted a new measure: Any resident who cannot consume his entire grain quota can exchange a 7-jin grain check for 1 jin of peanut oil at no charge. Peanut oil prices in Guangzhou now are around 3.2 yuan per jin, so it can be inferred that each grain ticket is worth 0.457 yuan per jin. After implementing this measure, fewer grain speculators congregate in front of grain shops. Regarding grain prices, they are relatively stable right now. Since September 1988, they have increased by double-digit figures each month. In January of 1989, they began to fall to a single digit; February's grain prices are expected to be stable. In addition, rice prices in Guangdong's free markets already approach or sometimes even surpass those of the international market. Thus, in general, it is estimated to be unlikely they will rocket up.

Since grain sales have become relatively stable, this would have meant loosening up apicultural production in the past. But China has little land and many people, plus, the population grows quickly, so one cannot be too optimistic about the grain problem in the end. One can only seek a balance under circumstances of a partial shortage. As I was completing this article, I saw that in a work report on the 7th plenum of the 2d provincial people's congress, Guangdong Governor Ye Xuanping [0673 6695 1627] stressed that solving the grain problem

was the main task provincewide in 1989. Myriad plans and ways to have an abundant harvest this year have to be thought up. How to develop agriculture will be an important official aim of each level of government. If the provincial government can thoroughly implement this spirit, and determine feasible measures to truly encourage agricultural growth, then I believe that when viewed from afar, Guangdong's grain production will have a relatively optimistic future.

**Yunnan Sugar Output**

40060557f Kunming YUNNAN RIBAO in Chinese  
30 Mar 89 p 1

[Summary] By the end of February, Yunnan Province produced 289,263 tons of sugar. Commercial procurement was 198,449 tons; and of this amount, 77,889 tons were transferred to other provinces, accounting for 51.9 percent of the plan. In 1989 industries in Yunnan plan to use between 110,000 to 130,000 tons of sugar.

### Problems in Higher Education Include Funding, Housing

40050332 Hong Kong CHIANG PAO [THE MIRROR]  
No 130, 10 Feb 89 pp 60-62

[Article by Wen Pao-chai 5113 2128 7872 "How Serious the Crisis in China's Education Is!"]

[Excerpts] [Passage omitted] Recently I was in touch with 10 institutions of higher learning in Beijing—Beijing University, Qinghua University, Chinese People's University, Beijing Normal University, Beijing Aeronautical and Astronautical University, Foreign Trade College, Beijing Agricultural University, Beijing Industrial University, Central Music College, and Capital Medical College—on this situation and the problem is serious.

Whether viewed from the situation in middle and elementary schools or from the situation in schools of higher learning, both reflect the impending crisis in China's education and cannot but be cause for anxiety!

Other countries of the world treat schools of higher learning as focal points for training talented people and fully exploit their unique role in propagating and developing science, culture, and technology and in promoting economic and social progress. Beijing is China's capital, but Beijing University and the other schools of higher learning are also the focal point of China's 1,063 schools of higher learning; these ten schools include science, engineering, agricultural, medical, comprehensive, normal, finance, and art, and are representative of the education situation in China's schools of higher learning. Looking at their situation, we can see the present situation of China's schools of higher learning. In fact, the situation in schools of higher learning outside of Beijing is even more chaotic.

The proportion of China's funds for education as a share of gross national product and as a part of state expenditures is lower than that of economically developed countries and that of countries which are at the same level of economic development as China. According to the UNESCO education yearbook published in 1987, in 1985 China had the lowest level of educational funding per capita of any country in the world. For the United States, it was \$966; Canada, \$947; France, \$584; Japan, \$555; Australia, \$523; Federal Republic of Germany, \$498; down to Tanzania, \$13; and India, \$10; but for China it was only \$8.

China's schools of higher learning depend primarily on state appropriations for their funds. Annually the schools are provided funds for educational operations, capital construction, equipment, and scientific research according to an average per-student allocation. Some schools of higher learning that are operated by government ministries and commissions receive some supplemental funds from the ministries and commissions. Because the shortfall of school funds has been great in

the past few years, the schools themselves have engaged in some compensated service for supplementary income. Some schools have taken out loans from world banks to purchase school equipment and construct instructional facilities.

In the past few years, state allocations to schools of higher learning for educational and scientific operating expenses have not increased while day-to-day expenses have increased due to such factors as wage reform and reevaluation of job titles, but the sharp rise in prices has created an imbalance in school revenues and expenditures so that income has fallen short of expenditures and they are in debt and on the brink of bankruptcy. Now, educational funds directly used for instruction has dropped from about 40 percent formerly to a little more than 20 percent. It may well be asked, how can instruction quality be guaranteed if only 20 percent of all of a university's funds are used for instruction. If university presidents worry every day about the school's funding and if a great deal of their time and energy is spent raising funds, how can they run their schools? Let's take Beijing University as an example. Although there have been increases in its operating funds allocation in the past few years, expenses have increased every year and income has fallen short of expenditures. The shortage in 1985 was 5 million yuan, in 1986 and 1987 it was 8 million yuan, and the 1988 shortage reached 13 million yuan.

The shortage of funds has already had serious consequences. School libraries have cut down greatly on book purchases both in variety and volume, and 50 percent of the faculty and students have not been able to check out books. In 1986 the average number of duplicate library copies at the Chinese People's University was 10; in 1988 the average dropped to two to three; in 1986 more than 83,000 books were purchased, in 1988 only 20,000 were purchased. The Beijing University Library is the second-largest library in the country and has been subscribing to some foreign language periodicals for nearly 100 years, but some subscriptions have had to be stopped because of the shortage of funds. The costs of chemicals used in experiments have doubled and many schools have had to cut down on lab work. Forty percent of the laboratory courses at Beijing Agricultural University have already been stopped and they can only do demonstration experiments or slide shows, which has greatly lowered instructional quality. Scientific research funds for the Capital Medical College biochemistry teaching and research section are only 4,800 yuan per year, but to buy blood for cell division takes 1,800 yuan.

Most of these 10 schools of higher learning in Beijing are old universities several decades or nearly 100 years old and many of the buildings have been neglected for years and are very worn out. The chemistry department student dormitories and the main office building of Beijing Normal University were identified as "dangerous buildings," but now nearly 1,000 students, 20 departments, and all the school's administration still inhabit these two buildings. If an accident occurs, the consequences will be

unimaginable. The plumbing and wiring inside the buildings is outdated and very antiquated, yet still in full operation; much of the equipment is aged and in disrepair and dangerous condition, but the school does not have a special allocation for repair and replacement.

Faculty salaries and treatment at schools of higher learning are extremely unreasonable and most people are now at the poverty level. Comparing the fifties and the eighties, the starting point for professors' salaries have declined from 270 yuan to 160 yuan; assistant professor salaries have declined from 149.50 yuan to 122 yuan; lecturer salaries have risen slightly, from 89.50 yuan to 97 yuan; teaching assistant salaries have been raised from 56 yuan to 70 yuan. According to 1987 statistics of the State Pricing Bureau, the pricing index now has grown 370 percent compared to the fifties. Faculty generally say that the 56 yuan salary of the fifties could support a family of two or three, but they cannot even support themselves on the current 70 yuan salary. The saddest thing is that the salaries of most old professors have not been changed in over 30 years: those who used to draw salaries of a little over 200 yuan still draw a little over 200 yuan today, but their purchasing power has declined greatly. No wonder that old professors say: "We have made the transition from a comparatively well-off lifestyle to a lifestyle of mere subsistence!"

In addition to low salaries, housing also reflects the treatment of faculty. Apart from some improvements in housing for a few high-level intellectuals, housing has been very difficult for young faculty in the past few years. Take Beijing University, for example. In 1987, the average housing per person in Beijing was 8.6 square meters, but Beijing University housing was only 6 square meters per person. There are 1,740 faculty households, which makes 56.4 percent of the total faculty at all schools that did not meet the standards announced by the State Educational Commission. Seventy percent of the young faculty do not have a place to live after they marry and must "live apart at the same location" or "live apart at the same unit"; it is very difficult for faculty under 40 to obtain housing; many faculty under 30 cannot get married because they cannot get housing; some people who have children and have no housing for household registration register their household addresses as the room number of the restroom; instances of three generations living together can be found everywhere. Some faculty say bitterly: "We only demand that we be given living space," but it cannot be done. When they talk about housing they weep. The housing issue is an extremely prominent problem in schools of higher learning currently and it has become a hot spot which is contradictory, difficult, and filled with conflicts.

Faculty of schools of higher learning, especially middle-aged faculty, have heavy teaching and research loads, their family burdens are heavy, and their living conditions are poor, so that the state of their health declines daily. Qinghua University recently conducted a health

survey of 855 persons above the rank of assistant professor and found that there were 502 persons, at the illness rate of 58.8 percent, suffering chronic diseases; since 1983, 34 faculty have died, 19 of them over 50, and the average age of death was 51.

The shortfall in funds for schools of higher learning and the poor treatment of faculty has seriously set back the positive attitude of faculty and students. There are varying degrees of disappointment, depression and dissatisfaction among faculty and students now, faculty are fed up with teaching, students are fed up with studying, and the loss of talented people is a common place. The present situation of "loss" is 1) losing students who go abroad; 2) losing students who go into business, and 3) losing students to work in different agencies, so only the least capable students want to remain in school. This situation is bound to adversely affect the improvement of educational quality and the development of education.

Beijing Normal University is a key school in China's higher normal school system and as well as one of the 10 key universities in state key construction, so it should recruit high-quality students to enroll. Yet very few of the best middle school graduates sign up for entrance examinations to normal universities so the universities are forced to lower entrance scores to enroll students. Graduates who attend normal universities also do not want to become middle school teachers. When completing the job assignment questionnaire, not one of the 110 graduates of the class of 1980 in the history department of Beijing Normal University indicated that they wanted to be middle school teachers. His four-person family being squeezed into a 15-square-meter house, the work of a main faculty member at Capital Medical College and his son's studies were affected and his request to have housing assigned was not met, so when another organization agreed to assign him a three-bedroom house, the Capital Medical College could only watch helplessly as their own treasured faculty left.

The Central Music College is the highest institution of higher learning in Chinese music education, its several decades of achievement are well known and it has trained many world famous musicians. Since 1979, 134 have left this college, including students who have gone abroad to study on their own resources, publicly supported students who have left, those who have exceeded the time limit and not returned, and faculty who have left voluntarily or retired. Ten years ago there were 15 faculty in the department of composition, but now only two continue teaching in the college, 13 have left. All the 1984 graduates of the department of conducting have left the country. Each New Year's, more than 100 people who send greeting cards to the Central Music College from Hong Kong alone are graduates of the Central Music College. Each school has lost talented people, but in recent years the departures from especially science and engineering to business are even more numerous.



Social development, economic development, scientific and technological progress, and improvement of national knowledge and moral quality all depend on the training of talented people. The large number of state-trained talented people who are leaving is something that will make the four modernizations difficult to realize. [passage omitted]

### Scholar Expounds on Responsibilities of Intellectuals

40050339b Hong Kong CHENG MING [CONTENDING]  
in Chinese No 137, 1 Mar 89 pp 68-71

[Article by Liu Xiaobo 0491 2556 3134: "Traditional Chinese Culture Encourages the Rule of Man"]

[Text] Let's Begin with the Repudiation of the Cultural Revolution

On the surface Chinese intellectuals have generally repudiated the Cultural Revolution and now consider it the root of China's stagnation and an unprecedented calamity in Chinese history. Yet if we examine more closely the theoretical and literary works on the Cultural Revolution and reform that have appeared since the "ideological liberation movement," we can see that the thrust of this repudiation is none other than the defense of the kind of autocratic politics that gave rise to the Cultural Revolution and the tradition of the rule of man going back thousands of years. Chinese intellectuals repudiate the Cultural Revolution while leaving the status quo intact. The targets of repudiation are either personalities or lines about which we have arrived at a conclusion (e.g., the "gang of four" and Mao Zedong) or the conservative faction known to us all. Like the criticism of corrupt officials by loyal ministers under the autocratic system throughout China's long history, this kind of repudiation pits the "enlightened monarch" against the "fatuous ruler," "honest officials" against "corrupt officials," "good guys" against "bad guys," the so-called "essence" of despotism against the so-called "dregs" of despotism. Even more important, rarely is repudiation by the Chinese self-directed. More often than not, it is others-directed. Thus this kind of repudiation is permeated with the Qu Yuan and Du Fu style of suffering and the traditional self-glorification of Chinese intellectuals. It is no clarion call to the benighted masses. It has no interest in personal individuality, rights, and freedom. Blind loyalty to the emperor was the major yardstick used by intellectuals in their self-evaluation. Now and then voices could be heard repudiating autocracy itself, but these voices, such as those represented by Wei Jingsheng [7614 0079 3932] and Fang Lizhi [2455 0536 0037] are too faint, too unimportant in the minds of both the intellectuals and the masses. Aren't there frequent criticisms by seemingly radical intellectuals that Fang Lizhi is removed from reality? Aren't there numerous intellectuals who repeatedly stress China's (and Hong Kong's and Taiwan's) need for an enlightened dictatorship?

Thus the thrust of the repudiation of the Cultural Revolution is only directed at corrupt officials and fatuous rulers, not the system of autocracy itself. From top leaders in the ruling party to intellectuals to the man in the street, there is a natural tendency to interpret the Cultural Revolution as yet another struggle between the correct line and the incorrect line within the ruling party, just like successive movements since the PRC was founded, beginning with the 1921 party struggle. Specifically, the Cultural Revolution was seen as a struggle between the correct line as represented by Liu Shaoqi and Zhou Enlai and the incorrect line as represented by Mao Zedong, the "gang of four," and Lin Biao. Many a literary work and theoretical article, including the voluminous *A History of the 10-Year Cultural Revolution*, extols Zhou Enlai and Liu Shaoqi as national heroes and party giants, while condemning Mao Zedong, the "gang of four," and Lin Biao as sinners. To use a popular phrase, the Cultural Revolution was the result of the "ultra-leftist" line getting out of hand.

While this interpretation superficially promotes justice, to my mind it is actually a subtle justification for autocratic politics. Chinese history from the Qin Dynasty to the present political struggle has been an arena for power struggle within the autocratic regime. In these internal power struggles within the autocratic system, there is no such thing as differentiating between so-called justice and evil, progress and conservatism, or the correct line and the incorrect line. They are struggles for supreme power, nothing more, nothing less. This is true for the successive palace coups in Chinese history. It is also true for the peasant uprisings. Essentially, therefore, the Cultural Revolution was not a struggle between two systems, but a struggle within one single system. Like Chinese rulers through the millennia, the Communist leaders never thought of uprooting one-party dictatorship. In the strictest sense, therefore, the Cultural Revolution was basically not a political struggle, but a duel between men, a duel with no rules where everybody tried to swallow up everybody else.

Further, while the brutal struggles within China's autocratic system throughout the centuries might have shed rivers of blood and subjected the people to abject poverty, they are totally devoid of any political significance. The sacrifices are colossal, but they are not rewarded by any change in the social system, only the triumph of a new dictator. There is nothing but power, power, power in the eyes of Chinese rulers. Not once do they stop and think of the people's rights and freedom. All policies are the results of the scramble for power and profits. In his quest for power, the ruler resorts to every trick, even extolling the people as god. Once power is in hand, the people are not given one square inch of land. Did Mao Zedong himself not typically orchestrate the drama of "land distribution" and "people's commune"? Murdering those who have rendered outstanding services is the occupational disease of dictators. As a human being, I sympathize with the murdered. From a political viewpoint, however, victims in all power struggles have only

themselves to blame and do not deserve our sympathy. This is because they themselves are part of the autocratic system. Even if they were not killed, that would not have altered the nature of the regime, only reinforced it. "The winner becomes king, the loser bandit." It is a brutal struggle, but it is absolutely no justice to sympathize with the loser, but muddle-headed foolishness. After all, the loser too has had his share of glory in the struggle to establish the autocratic regime. Did Liu Shaoqi not help put Mao Zedong in power? In the struggle against Peng Dehuai [1756 1795 2087], did he not firmly stand by Mao Zedong? The most astute of politicians, Zhou Enlai never tried to seize supreme power for himself. Instead he always helped Mao Zedong eliminate his enemies. He approved of Liu Shaoqi's downfall in the same way as he approved of Lin Biao's political demise. When he died in January 1976, the whole nation, particularly intellectuals, mourned. Shedding tears for a "political survivor" who for years helped a tyrant do evil? Absent in all the crying were demands for democracy. Even if Zhou Enlai were an enlightened ruler as noble-minded as Yao, Shun, and Yu of ancient times, he could not have changed the autocratic system itself. Mao Zedong was not the only sinner in the Cultural Revolution; neither were Zhou Enlai and Liu Shaoqi its victims and heroes. Enlightenment and fatuousness are no yardstick for assessing an autocratic system. Compared to democracy, an enlightened autocracy is also corrupt. In other words, if the aim is to perpetuate the autocratic system, it would make sense to distinguish between the enlightened and the fatuous, the honest and the corrupt, the right and the wrong within the autocratic system. If the aim is to overthrow autocracy and establish democracy, then it would be pointless to make this kind of distinction. The only good it would do is to reinforce the autocratic system. In the 20th century, at a time when the world is becoming increasingly democratized, we would only compound error with error if we replace a conservative autocracy with an enlightened autocracy. Yet this is exactly what Chinese intellectuals did in the past few years when they showed their moral indignation at the Cultural Revolution.

No further argument is necessary. It is clear that we absolutely cannot look for forces to overthrow autocracy within the autocratic system itself. One-party dictatorship, one-man dictatorship, and one-ideology dictatorship are necessarily savage and inhuman feudalism. We cannot use autocracy to fight autocracy. What can fight autocracy is something that is diametrically opposed to it—democracy. In other words, we should fight monarchy, class, dictatorship, and autocracy with human rights, equality, freedom, and democracy. We should fight the rule of man with the rule of law; public ownership and the planned economy with the private economy and the free market. In a word, we should replace modern socialism (autocracy in the name of socialism) with modern capitalism. If we do not understand this point, no repudiation will contribute to China's renewal.

Accordingly, any reform whose purpose is not the establishment of democracy has no real constructive significance. Before democracy becomes a reality, internal strife within the autocratic system is a good thing, not a bad thing. Come to think of it, successive political movements such as the "anti-Hu trend," "antiright" movement, and "down with Peng Dehuai" movement failed to awaken the nation to the corruption of autocracy. Only the Cultural Revolution opened the eyes of the Chinese people to the incurable corruption and degradation from the top to the grassroots. Today, people who have awakened should consider the Cultural Revolution, particularly the power struggle at the top echelon, a comedy; was it not fun the way they trashed each other? The "antispiritual pollution" and "antibourgeois liberalization" movements were not necessarily a bad thing. The Cultural Revolution exploded the myth of Mao Zedong and the "antispiritual pollution" movement and "antibourgeois liberalization" movement exploded the myth of enlightened autocracy. Only after people had lost all hope in the autocratic system did calls arise for democracy. Had there not been the "antispiritual pollution" and "antibourgeois liberalization" movements, Fang Lizhi would not be criticizing the existing political system directly as he does today. It can be said that the current awakening of the Chinese has been forced by autocracy. Hopefully we will not repeat the history of the people "being driven to join the Liang Shan rebels." In this sense, I must say, "The Cultural Revolution was good."

Modern Chinese intellectuals' tendency to "oppose fatuous rulers and corrupt officials" only and not the autocratic system also manifests itself in their unthinking affirmation of everything that was criticized and rejected during the Cultural Revolution, ranging from the rehabilitation of old cadres led by Liu Shaoqi to the restoration of traditional culture as represented by Confucius. Chinese intellectuals have failed to appreciate the essential difference between what the Cultural Revolution repudiated and what we should repudiate today. There were things Mao Zedong repudiated during the Cultural Revolution in order to consolidate his autocracy. What we should repudiate today is the autocratic system represented by Mao Zedong. Specifically, these are the differences:

1. Like their criticism of "The Three Villages" and Liu Shaoqi's "On the Self-Cultivation of a Communist," the Red Guards' "break with four old's, establish four new's," movement, the "criticize Lin Biao and Confucius" movement, the "criticize Confucianism and Legalism" movement, the "criticize 'All Men are Brothers'" movement, and other antitraditional culture movements were Mao Zedong's instruments for overthrowing Liu Shaoqi and Lin Biao and attempting to get rid of Zhou Enlai. In essence, these movements had no antiautocratic significance. They were only meaningful as power struggle and an attempt to consolidate personal dictatorship. Today's reformers therefore must criticize not only Mao Zedong and Liu Shaoqi's "theory of the taming instrument"

(enslavement) put forward in his work "On the Self-Cultivation of a Communist," but also traditional culture represented by Confucius. This kind of criticism should proceed from an opposition to autocracy and is intended to reject the cultural foundation on which ancient and modern Chinese autocracy has rested for so long. In other words, all cultural factors that have nurtured autocracy, whether they were criticized and rejected during the Cultural Revolution or whether they are being praised and affirmed this very moment, should be completely rejected with no reservation.

2. The Cultural Revolution repudiated everything in order to establish the authority and idolatry of Mao Zedong autocracy. During the Cultural Revolution, countless dead and living senior cadres and intellectuals were disgraced and only a handful survived with the affirmation by Mao Zedong the dictator. In philosophy, the survivors were Marx, Engels, Lenin, and Stalin. Actually their only *raison d'être* was to theoretically buttress the supreme position of Mao Zedong Thought. In literature, there seemed to be only one Chinese survivor—Lu Xun [7627 3065]—and one foreign survivor, Gorky. Even more important, all these figures were touted as absolute authorities; whoever opposed them was denounced as counterrevolutionary. This is the best way to conduct ideological dictatorship. Consequently, Chinese intellectuals today must criticize the ideological concomitant of autocratic politics—absolute authority—and reject all deified idols, all absolute authorities which we have been told not to oppose, not to doubt. Any absolute authority, whether it be Marx, Mao Zedong, or Lu Xun, must be criticized and rejected without reservation. An underlying significance of this kind of rejection is to criticize the Chinese people's traditional slavish and dogmatic method of thinking, one which creates an authority, follows an authority, and is totally obedient to an authority.

3. As for the masses, their opposition to tradition and their rejection of everything during the Cultural Revolution were totally blind, as were their Mao Zedong worship and their abiding faith in socialism. During the Cultural Revolution, not only Chinese tradition, but all tradition in human history, particularly Western tradition, were dismissed as the "four old's" and destroyed. Never did the people stop and think for themselves. Instead they followed Mao Zedong's orders completely. What Mao Zedong opposed they rejected; what Mao Zedong advocated they affirmed. What the entire nation wore, ate, read, listened to, and thought at the time was of one single style—the Mao Zedong style. There was only one sun in the world; there was only one brain in China. Other than what Mao Zedong approved, everything else was worthless. Chinese intellectuals today should be clear-headed, independent, and self-conscious in their soul-searching. Whether something is to be rejected depends on whether it is antiautocratic. They must arrive at a conclusion through independent thinking. No longer can they follow everything the leader says.

Judging from the three points above, the Cultural Revolution might have brought about Liu Shaoqi's downfall and opposed tradition across the board, but it was not a genuine antiautocracy movement. On the contrary, it was during the Cultural Revolution that traditional Chinese autocracy reached its peak. Thus modern Chinese intellectuals should no longer think of the Cultural Revolution in the old dogmatic way—"whatever the enemy opposes we support," which means that whatever the Cultural Revolution rejected, we must affirm. To do so is to create a farce. Unfortunately, such a farce has already begun and shows every sign of picking up steam, as demonstrated most notably by the "roots fever" now gripping the intellectual community across the nation and the "Confucius revival" movement. Even more frightening is that since the Cultural Revolution created a "perverse psychology" among the people and because of the widespread bitterness and resentment it generated, the farce has attracted a huge audience, cheering and chapping. It is quite a show! Rarely has traditional Chinese culture been embraced so warmly since the "Opium War." Many of the best and brightest of our intellectuals today have written lengthy tomes endorsing traditional culture and criticizing the idea of "wholesale Westernization" as advocated by Hu Shi [5170 6624] and Lu Xun. Thus we must now do more than think long and hard about the Cultural Revolution. We must also think long and hard about our way of repudiating the Cultural Revolution—embracing everything it opposed. Only through the latter kind of introspection can we discover how benighted and thoughtless Chinese intellectuals, who were so severely tested in the Cultural Revolution, have become. Only then could we start asking ourselves these questions: As a nation which has suffered so much (particularly in modern times,) why has China still not truly woken up? Why does every round of suffering touch off in Chinese intellectuals such an intense longing for traditional culture? Traditional culture has put the Chinese through untold suffering. But instead of turning their backs on it, the Chinese keep returning to traditional culture time and time again. Isn't this a vicious circle, with the suffering bred by one autocracy paving the way for a new autocracy? This vicious circle has mired the Chinese in autocracy politically and in traditional culture ideologically for years and years. Should not every Chinese, particularly the cream of our intellectual crop, bear some responsibility for this vicious circle? Can Chinese intellectuals simply blame a handful of policymakers, while absolving themselves of any culpability, for the "antiright movement," the Great Leap Forward, the Cultural Revolution, and even the stagnation in and perhaps failure of the current reform?

More than anything else, to be responsible to history is to examine ourselves instead of blaming others all the time.

#### **The Belief in the Omnipotence of Moral Personality Is Bound To Lead to "Rule of Man"**

In denouncing the Cultural Revolution, why do Chinese intellectuals only reject fatuous rulers and corrupt officials and not the autocratic system? One of the most

important reasons is that the lingering notion of the "omnipotence of moral personality," which is part of the traditional culture, remains their yardstick for evaluating a political system.

Traditional Chinese culture, particularly Confucian culture, is characterized by an "exaggerated notion of the omnipotence of personality," a notion born of arrogance. According to this arrogant notion, moral personality is absolutely all-knowing and all-powerful. "Cultivate one's moral character. Keep one's family in order. Run the country well. Ensure peace under heaven." "The sage thinks like heaven and earth. The world is like a family and China is like a man." "Live in harmony with heaven and earth, with the heavenly bodies, with the four seasons, and with the spirits and gods." In modern language, man's moral personality is totally self-sufficient. It is at one with society, history, human relations, and nature. "All things are in me." "If not me, then who?" In this way, moral integrity and personality come to replace political institutions and natural science. "Make morality the center of politics, like the northern star surrounded by all other stars." Confucius' teaching is still haunting us, influencing the way Chinese intellectuals look at politics. The fact is that politics has political rules, science has scientific rules, God has God's rules, and morality has morality's rules. A man of moral integrity, even if he were morally perfect, does not necessarily make an outstanding politician or scientist. What politics need is not morals, but institutions and laws. What science needs is not morals either, but the ability to think in the abstract, to hypothesize, to observe, to deduct, to carry out experiments. You can cultivate morality on your own, but you can't do so with politics, let alone history. The rule-of-man tradition in China and the search for an enlightened ruler by Chinese intellectuals have lasted thousands of years and are still going strong precisely because of the trust in moral personality. The Chinese look to the moral integrity of some power-holder for social and political change, instead of trying to change the institutions themselves. They believe a morally noble monarch will produce political stability and honesty and be the driving force for historical progress. Thus most of the literati and officials in Chinese history who had the courage to remonstrate with the monarch frankly looked for sources of political corruption among morals. Some even committed suicide to prove their point. And what has been the result? The perpetuation of autocracy.

Westerners never believe in human omnipotence, intellectual, political, or moral. Hence the three separate worlds in Western culture—the world of God, the world of man, and the world of nature, each independent of and interacting with the others. Each world has its own limits. The world of God transcends human morality and all human values. In God's eyes man will always be burdened with "original sin" and will never achieve perfection. God does not trust man. In the world of man, man is not to be trusted either. Hence the need to restrain man with democratic politics. Rulers must be

checked in order to ensure individual rights and prevent autocracy. Unbridled freedom too must be limited to ensure social order and prevent anarchic chaos. In the world of nature, the Westerner emphasizes respect for nature and the truth and would not let human morality replace pure natural knowledge. An opposition to "human centralism" runs throughout the history of Western thought. Setting limits on rationality is a major theme in Western philosophy. The West has been able to modernize its culture and institutions precisely because there has existed from ancient times an awareness of the limitations on man and his weaknesses. Socrates said that the highest wisdom is knowing one's ignorance. St. Augustine said to believe in God, never in man. Kant said that man will never know the substance of the universe. All he knows is its interactions with man. Wittgenstein counseled us to keep quiet about things we do not know. Shakespeare wrote that man is but a walking shadow, an awkward actor on the stage; he enters in a hurry and exits in a hurry; other than adding noise and excitement to the world for no purpose, he has no significance. The mistrust of man, the introspection of man, the repudiation and criticism of man are exactly what has propelled Western civilization forward. These are issues that need to be discussed elsewhere. Let's now return to our main topic.

In real politics, human weaknesses will get out of hand without a political system safeguarded by law. The result is either autocracy or anarchic chaos. And their perpetuation is exactly what most typifies Chinese history. Instead of relying on the democratic system, the Chinese put their faith in moral personality. They replace interpersonal legal relationships with blood and ethnic relationships. Herein lies the root cause of the rule of man in Chinese politics. In fact, under the rule of man, even the most selfless monarch and the most honest bureaucrat will not give up their dictatorial power. In a democracy, even the most unethical crooks cannot do as they please. In an autocracy, even the most noble-minded can do as they like. If the resignation of President Nixon over the "Watergate" affair was unthinkable to the Chinese, so was the downfall of Liu Shaoqi on the strength of one word from Mao Zedong to the West. The former represents the authority of law; the latter, the power of a ruler. Mao Zedong worship in the Cultural Revolution was exactly an instance of the omnipotence of moral personality carried too far. (To be continued.)

#### **Scholarly Retrospective on May 4th Movement Goal Attainment**

40050362 Shanghai SHIJIE JINGJI DAobao  
in Chinese 6 Mar 89 p 7

[Article by Correspondent Dai Peng'an 6528 7720 1344: "On-the-Spot Report of Academic Discussion Meeting Retrospective on Culture Since 'May 4th.' Should Not Be Regarded as a Commemoration To Be Over and Done With Since It Is a Youth Day Commemoration; Rather It Should Be Linked to National Destiny and Modernization"]

[Text] With the steady approach of the 70th anniversary of "May 4th," not long ago more than 100 of Shanghai's intellectual elite gathered to celebrate the founding of the

"Shanghai Chinese and Western Philosophy and Culture Exchange Research Center," and to hold an academic discussion meeting "retrospective on culture since May 4th."

Academic circles abroad, which paid a great deal of attention to the founding of the center, hurried to send telegrams and letters of congratulations. The renowned chairman of the International Chinese Philosophy Society and Professor of Philosophy at Hawaii University in the United States, Cheng Zhongying [2052 0022 5391], said in a congratulatory speech that "Chinese and western philosophy and culture had their own individual strengths and weaknesses. How to use their strengths to remedy their weaknesses in order to advance human culture was a world trend." Lin Yusheng [2651 3022 3932], professor of history at Wisconsin University in the United States, and a senior research fellow at the East Asia Philosophy Institute in Singapore held great expectations for Shanghai. In his congratulatory speech, he said, "Shanghai is the second center of Chinese knowledge and culture." He believed that the pursuit of and advances in information required concern for realities as well as maintenance of spacially separate centers. He cited the enlightenment movement in Scotland during the 18th century as an example, saying that during the 18th century the cultural and academic center of England was London and nearby Oxford and Cambridge; yet, the philosophical, social, and economic thought that made the most penetrating original contribution came from the masters in the Scottish enlightenment movement at Edinburgh: David Hume, Adam Smith, and Adam Ferguson. This fact demonstrates that the second cultural and academic center can sometimes make a greater contribution. He maintained that the intellectual world of Shanghai was now in a similar situation, and the exchange of culture and philosophy with the west could generate creative sparks.

Inasmuch as the historical mission of "May 4th" is still a long way from fulfillment, the conferees explored the spiritual renaissance of the people from a deep cultural angle that got at the root of matters. Speeches were weighty yet rational. In the opening speech, the center's renowned chairman, Wang Yuanhua [3769 0337 0553], said that no one had been left out of the study of "May 4th" either in China or abroad or even Taiwan. A large number of articles had been written, but not many came from inside China. One should not regard it as a commemoration to be over and done with since it is a commemoration of Youth Day, but rather it should be linked to the country's destiny and modernization. It has not only practical significance, but theoretical significance as well. Xia Yulong [1115 4416 7893] said that "May 4th" espoused democracy and science, and prior to liberation it was the Communist Party of China that carried forward the spirit of "May 4th." In the white areas, the slogans that the Party advanced at that time were anti-dictatorship, anti-hunger, and anti-civil war. Unfortunately, following liberation circumstances turned out differently than had been intended. Not only

was democracy not carried forward very well, but blind worship of individuals was practiced finally leading to the 10 years of turmoil. Qian Gurong [6929 6253 5816] said that the "May 4th" pioneers regarded the new cultural movement and the new literary movement as a movement of enlightenment to rally people's consciousness; however, for various reasons, this task of enlightenment that calls for emancipation of the individual is still a long way from being fulfilled. Consequently, though the revolution has achieved victory, the mass of the people have no idea how to go about becoming masters in their own house, or even no sense of being masters in their own house was ever established to begin with. In a letter to Bo Gu [0590 0657], Mao Zedong said, "Unless individualism is unshackled, there can be no democracy nor socialism." This correctly and succinctly explains the close relationship among individual emancipation, democracy, and socialism. However, for a long time we have maintained a critical attitude toward the need for individual emancipation, and toward democratic individualistic thinking, which cannot be supposed to be a correct Marxist attitude.

Culture has broad connotations. Luo Zhufeng [5012 4554 7364] said that to a very large extent western culture includes religion. Unless one studies Islam, it is impossible to make heads or tails of Middle East issues. Likewise, unless one studies Christianity, one cannot make heads or tails of European issues. However, China neglects religion. In writing, "The History of Chinese Education," one cannot omit religious schools, which have trained many talented people for us. Careless slogans hurt many religious people's feelings in the past. At the meeting, Deng Weizhi [6772 0251 1807] passed along two pithy remarks that Zhao Puchu [6392 2613 0443] had given Luo Zhufeng. One was from Dong Biwu in the 1950's that said that wanting everyone to have the same outlook on life was like wanting all sleeping people to dream the same dream. The second was when, before his death, Fan Wenlan [5400 2429 3482] was making notes on Buddhism and Buddhist studies and Zhou Jianren [0719 1696 0086] asked him what he was trying to do. He said I want to revise views about religion. Zhou Jianren said that Buddhism has a 2,000 year long history in China, and is closely related to Chinese culture. Failure to understand Buddhism makes understanding of the history of Chinese culture impossible.

Center advisor Yu Guangyuan [0060 0342 6678] said one could not adopt a nihilistic attitude. Capitalist society positively does not have just bourgeois democracy; it also contains some people's democracy. Xia Yulong said that democracy is a condition related to cultural quality. What is the contemporary basis for democracy. It is the commodity economy. Democracy is an inevitable outgrowth of a commodity economy. Not long ago, he went on a fact-finding tour in eastern Europe where he discovered that socialist countries, without exception, were confronting one question, namely how to practice democracy under a single party

system. This is an unavoidable problem for theoreticians. We are caught in a dilemma of professing to love what we really fear. We both want democracy, and we are afraid of democracy. The present commodity economy is fighting a war alone, and this has created very many problems. The commodity economy and democracy should advance together. Boosting morale during the present economic cutbacks can be achieved only by relying on political democracy. Now is the time for reflection, but this is a sophisticated issue that requires risk taking.

People felt that this was a conference in which Shanghai academic circles had opened up in a sincere seeking after knowledge, prompting people to apply cultural techniques to the promotion of China's reform endeavors.

### **Speculation on Whereabouts of Dissident Wei Jingsheng**

40050359 *Hong Kong CHENG MING [CONTENDING]*  
in *Chinese No 137, Mar 89 p 27*

[Article by Ch'ang Ch'uan 1603 1557: "News About Wei Jingsheng 7614 0079 3932"]

#### **[Text] Guards Do Not Know He Is Wei Jingsheng**

Ten years ago, Wei Jingsheng was unjustifiably arrested and thrown into a dark prison. What has happened to Wei Jingsheng 10 years later?

Finding out about Wei Jingsheng's prison life is even more difficult than finding out about Jiang Qing's prison life. Back before 1956, Deng Xiaoping personally directed several times that information about Wei Jingsheng's whereabouts be strictly concealed. The guards in charge of Wei Jingsheng were changed once every 3 months. Even the regular prison guards did not know Wei Jingsheng's true identity, which is to say that all they knew was Wei Jingsheng's number. They did not know that he was the Wei Jingsheng who had pioneered the democracy movement, which had stirred progressives nationwide as well as persons ardently concerned about human rights throughout the world. Given these circumstances, it is extraordinarily difficult to find out information about Wei Jingsheng.

#### **First Report of Wei Jingsheng's Being Ill**

In May 1984, CHENG MING magazine reported for the first time the cruel torture of Wei Jingsheng, and that he had begun to fall apart mentally. At that time, he had been sent to the prisoner section of Fuxing Hospital in Beijing for treatment. A close friend of Wei Jingsheng said that he had run into Wei Jingsheng at that time. The impression that Wei Jingsheng gave him was of a man with a dull look in his eyes who did not recognize people he knew. Consequently, he suspected that Wei Jingsheng was suffering from a mental disorder. Subsequent information from public security authorities confirmed the

impression and conclusion reached by this friend of Wei Jingsheng. When Wei Jingsheng was sent to this hospital for treatment a second time, his illness was worse, and he was in a stupor.

#### **Blinding Light and Ear Splitting Noise in His Jail Cell**

Recently I learned from a Ministry of Public Security cadre that Wei Jingsheng has been in a prison in Qinghai Province for a long time. At first, he clear-headedly and resolutely asserted that he was determined to remain in prison for a full 10 years. Later on, the police subjected him to extremely cruel and inhuman torture. For example, they confined Wei Jingsheng to a small 6.5 square meter cell without sunlight or illumination. The four walls of the cell were soft, black sponge rubber, which had been installed all around to prevent the prisoner from committing suicide. Sometimes his mental destruction was intensified. Wei Jingsheng would be confined in a small cell where the four walls had blinding lights and ear splitting noise was broadcast frequently. As a result of the sustained mental torture, plus an insufficient diet, a lack of salt, etc., Wei Jingsheng's mental collapse deepened noticeably with each passing day. He would frequently shout wildly and strike things with his hands. Thus, a monstrous and despotic unseen blackguard has changed a human being into a "ghost," mentally and materially destroying one of the Chinese people's finest.

#### **Deng Does Not Want Wei Jingsheng Done to Death**

Since both Chinese and foreign political forces are extremely concerned about Wei Jingsheng's fate, this amounts to putting Deng on the spot. Deng Xiaoping is extremely unhappy about the concern of foreign opinion for Wei Jingsheng, but he has also demonstrated fear of it. In 1984, he directed the Ministry of Public Security not to do Wei Jingsheng to death. From this sentence, one can realize how much he fears carrying the blame for cruelly injuring or killing Wei Jingsheng.

Reportedly, Wei Jingsheng's situation changed after Deng Xiaoping's 1984 statement, but his health did not improve, and he was still an important criminal who was guarded in isolation. During this long period of time, the Chinese Communists have continued to block any news whatsoever about Wei Jingsheng, but at the same time they have treated Wei Jingsheng's mental illness on the off chance that news of his mental condition might leak out to the world.

#### **Sudden Sad News About Wei Jingsheng, But...**

In 1987, when Wei Jingsheng was still undergoing "labor reform" at Xining in Qinghai Province, Wei Jingsheng's look-alike younger sister, Shanshan [1194 1194], and Wei's maternal aunt visited Wei Jingsheng. Wei's health was very bad at that time. The Labor Reform Bureau at Xining suggested to higher authority that Wei Jingsheng be released on bail for medical treatment. After many setbacks, Wei was returned to Beijing at the end of 1987.

But the Chinese Communists did not release Wei on bail for medical treatment. Instead they continued to keep in prison this prisoner who had suffered all kinds of torture, and they would not permit relatives to visit him. By this time, Wei Jingsheng's younger sister, Shanshan, had married, and her husband, who had gone to Canada to study, had finished his studies and just returned to China. Moreover, although Wei Jingsheng's girl friend had long since married, she still thought fondly of her good friend in prison.

Not long after Wei Jingsheng had been returned to Beijing from Xining in Qinghai, the Ministry of Public Security suddenly revealed that he had died in Beijing. Coming all of a sudden, as it did, CHENG MING did not report it to the readership out of consideration for news accuracy, but used every possible means to track the report down.

#### **Deng Inquires About Wen Jingsheng's Circumstances At the End of 1988**

The information that has been obtained to date is that in mid-December 1988, Deng Xiaoping summoned the heads of the Ministry of Justice and the Ministry of Public Security. During the course of their conversation, Deng inquired about Wei Jingsheng's circumstances. The public security cadre who disclosed this information said that, on the basis of this development, it seemed that Wei Jingsheng may not have died, but his health problems were certainly serious.

No matter what angle this issue is considered from, the Chinese Communists should and must release Wei Jingsheng at once with a verdict of not guilty.

## CENTRAL-SOUTH REGION

### Guangdong Religion Laws Violate Freedom of Worship

40050367 Hong Kong PAI HSING [THE PEOPLE]  
in Chinese No 187, 1 Mar 89 pp 17-18

[Article by Ding Guangxun 0002 0342 6064: "Ding Guangxun Opposes Guangdong's Policy on Religion"]

[Text] (Editor's Note: On 1 Aug of last year this magazine (Issue #173) published an article by Zhang Shengcai [1728 5110 2088] of Fujian protesting the way in which the Chinese Communist Party and the Three Freedoms Association are persecuting the Christian church. This story received a great amount of attention from Christians in China and abroad. Recently we obtained two more documents. One is the correspondence sent by Bishop Ding Guangxun to the State Council's Religious Affairs Bureau on behalf of the Three Freedoms Association. The other is the original manuscript of the speech Ding delivered to the National People's Congress. These two documents reveal how dissatisfied Ding, as head of the Chinese Christian Association and the Three Freedoms Association, is with the Party's religious policies and especially with the regulations for control of religion recently formulated by the Guangdong authorities. Ding's documents attest to the veracity of what Zhang Shengcai was protesting about earlier. Furthermore, they confirm the fact that many Chinese Communist cadres continue to persist in their policy of wiping out religions and this is something Bishop Ding cannot tolerate).

To: The State Council Religious Affairs Bureau

I am extremely uneasy at this moment, having recently read the "Guangdong Province Regulations Governing Administrative Control Over Sites of Religious Activity" (Editor's Note: see Issue #175) promulgated by the People's Government of Guangdong Province, the "Provisional Regulations of Guangzhou Municipality Governing Administrative Control Over Religious Affairs" promulgated by the people's Government of Guangzhou Municipality and the "Views on Sorting Out, Rectifying and Registering Those Sites of Religious Activity That Have Been Given More Freedom" advanced by the Religious Affairs Office of Guangzhou Municipality. It seems that those registration procedures that the State Council's Religious Affairs Bureau once drafted but were not consented to by the State Council's Ministry of Justice have become official regulations of the local governments. However, the place where I am is directly opposite Hong Kong and these kinds of regulations are even more likely to have the effect of saddening our friends and gladdening our enemies.

I have the following thoughts on the above-mentioned three items of law and policy:

### The Overall Directional Problem

Currently, the main religious work that the Chinese government performs is to deal with activities that violate the law and counter the infiltrating activities of anti-Chinese forces abroad. Guangdong Province sees quite a few instances of both of these things, particularly foreign infiltration, and to a large extent Guangdong Province acts as a transfer station. However, the target of the three documents I have referred to is not illegal activities and foreign infiltration but rather is the common, widespread home meeting. These meetings are targeted for elimination through such administrative means as the requirement that they apply and have their registrations approved. The overall direction in which this leads presents a problem.

There are objective reasons for the existence of the common, widespread home meetings. For example: 1. The churches are too small, too far away and too packed. 2. There is a perception that the Three Freedoms Association and its ministers don't love the church and even desire to sell it off. 3. People feel that the sermons in the churches don't fit in with their beliefs and they don't get anything out of them. 4. There is dissatisfaction with the behavior and style of the leaders of the Three Freedoms Association organizations and the ministers of the churches. 5. The religious ceremonies in the churches don't fit in with what the people are accustomed to. 6. People feel that one service per week is not enough and that supplementary services are needed.

These are some of the reasons why home meetings exist. In dealing with issues of faith or inter-human relationships, obstinate use of administrative means have never proven successful. This important lesson has come only after 30 years of paying bitter costs in religious work. Why do we want to make the same mistake again today? The result of today's policy will be that the home meetings will be driven underground, not eliminated, fanatic beliefs and their propagation will be fueled and anti-party and anti-government sentiments will be strengthened.

Some home meetings are bound to be linked up with infiltration activities just as some government leaders are bound to be engaging in illegal activities, but, for the most part the followers are good, patriotic, and law-abiding and only ask for a little latitude to satisfy their religious needs. Here it is vital that we draw our distinctions clearly. If people wish to hold their own meetings they are free to do so and we should not interfere. Some cadres say that people should be prohibited from holding meetings because the cadres have no way of knowing what the people are up to. There are many instances where people engage in activities that the cadres have no way of knowing about. People write letters and no one else knows what they have written. However, we haven't denied the citizenry the freedom to write letters on account of this. The only way to deal with the issue of home meetings is to give them wide latitude. And the



government should become apprised of any instances of illegal, anti-party or anti-social activities only through notification by those who supervise the believers or by the ministers of the two associations. There must be a basis in fact before action is taken and we should not assume that people as a whole are bad.

The regulations of the Guangzhou Municipal Office for Religious Affairs stipulate that no church applying for registration that is located in the city or outlying towns may have more than 30 members. That is to say, no church with over 30 members may apply for registration, to say nothing of having their application approved. This amply illustrates that the goal is to create a situation through administrative means whereby the large number of believers who participate in the numerous home meetings are lumped together into a legal classification that makes their activity criminal.

Before there were only 700,000 Christians in China and we had so many churches. Now there are over 4 million believers and yet the number of churches has been reduced several times. To outlaw home meetings under these circumstances is to deprive people of the freedom of religious belief that is given to them by the Constitution and here we must act with great caution.

It is said that Guangdong is now having to deal with Lin Xiangao [2651 3759 5021] (Editor's note: see Issue #175). It is my feeling that as long as Lin Xiangao does not engage in activities that oppose the Party of socialism or that are illegal, and as long as he doesn't join in with anti-Chinese infiltrating forces from abroad, then he has the right to hold his home meetings. They can only help attest to the freedom of religious belief in China and furthermore, the churches of the two associations will be forced to upgrade their ministries in order to compete with him. As for his relationship with the two associations, we can only wait to see what transpires. We shouldn't force the issue. Recall that in Xiaoshan, Zhejiang there were tens of thousands of believers unaffiliated with the two associations and many of them made great efforts in furtherance of the socialist Four Modernizations.

### **The Registration Problem**

It is still uncertain whether registration is feasible and necessary. However, if registration is going to be required, then the criteria and conditions upon which approval is given need to be clearly stipulated and announced publicly. Not only is this in accord with the spirit of the rule of law which has replaced rule by man, but it will increase the degree of openness, give full play to the supervisory role of the people concerned and will decrease the likelihood that ill winds will start up. For example, whenever an application is not approved, there should be a detailed and clear explanation given within the stipulated period of the reasons for non-approval and the place where one can go for an appeal in the event one is not content with the decision. At all times prior to a

final disposition the authorities should not place a prior restraint and gag order on the meeting. This will show that the government respects religious beliefs and acts with care.

Article 10 of the "Regulations" of the People's Government of Guangdong Province provides that: "All sites of religious activity must abide by the Constitution, laws, and policies of the State. They must defend State sovereignty and unity and the unity of the people. Under the principle of upholding independent self-initiative, they may not conduct activities that violate the socialist system, destroy social order or harm the health of the bodies and minds of the people." This passage is very good. If this were announced to be the criterion on which home meetings were evaluated for approval, believers would give their endorsement.

### **The Relationship Between Religious Patriotic Organizations and Registration**

Speaking as for Christianity, neither Three Freedoms patriotic organizations nor Christian associations are government departments. They are voluntary unions of believers, unions of the masses, religious unions, and unions to serve the religious beliefs of the people.

Because there are misunderstandings about the Three Freedoms patriotic organizations, because the Three Freedoms patriotic organizations have failed to respect the religious beliefs of certain people on certain points, and because the three Freedoms patriotic organizations, since the 1950's, have done some unmentionable things to religious followers and these things are still being done today in some places, there are many patriotic religious followers that are not willing to endorse or be affiliated with Three Freedoms patriotic organizations or with the two associations. I feel that this is something we must allow to happen. Endorsing the principles of the Three Freedoms and endorsing the Three Freedoms organizations are two separate things. Endorsement of the Three Freedoms organizations cannot become the standard by which we judge whether a Christian is patriotic. The Constitution gives the freedom of religious belief to every citizen, not just to certain religious groups or to citizens that join or affiliate with certain groups.

The three Guangdong documents stipulate that one applying for registration must be either appointed or approved by the two associations at the city or county level. They also stipulate that written applications from churches must be passed along to the two associations at the city or county level where the application will be commented upon and then be given to the Religious Affairs Department of the city or county government for examination and approval. This increases the burdens on those patriotic religious followers that do not belong to Three Freedoms organizations. Is this not a use of

governmental power to literally ignore the added religious burden on a sector of patriotic religious believers and force them to return to the fold of the Three Freedoms organizations?

Today the two associations throughout the country at every level should represent the lawful rights and interests of Christianity and seek greater unity. To accomplish this the two associations should do nothing that goes against the religious will of the people. Currently the two associations are openly acting as the subordinate departments or appointed organs of the governmental organs in Guangdong and are being used as the tool to exterminate a large slice of Christianity. Moreover, the two associations are being placed on the front line of religious repression and will be the first ones to come under attack when the masses start complaining that their home meetings were not approved for registration. And they are being given the appearance that they stand in opposition to the church. So the question arises, do we still want to consider the image the masses hold of the Three Freedoms associations and the two associations or can we forget about this? If their images no longer matter, then inevitably there will be a considerable group of people who are going to follow their conscience and disassociate themselves from the organizations.

I feel that if registration is going to be necessary then, since the Three Freedoms organizations and the Christian associations are also religious groups, they too should have to apply and be examined and approved by the government. Application means applying with the government, approval means approved by the government and there is no need for the two associations to have a hand in either of these things.

#### **The Problem of Overreaching and Meddling**

These three documents repeatedly emphasize that the government must strengthen its administrative control over those sites of religious activity that are now enjoying more freedom.

Director Ren [0117] said that strengthening control means dealing with anti-revolutionary activity, illegal activity, and infiltration of foreign reactionary forces. However, patriotic groups and persons within religious circles that are subordinate to those doing the controlling are not themselves to be the objects of control. I am not sure whether these important words have been explained clearly to the cadres in the Religious Affairs departments of Guangdong Province and throughout the rest of the nation. If these words have been passed along to those in religious circles, this has not solved the problems.

According to the documents from Guangdong, in the area of human affairs, all those who are permitted by the Christian church to act as ministers or preachers must be approved by the government Religious Affairs departments and the same holds true for those who seek to enter the priesthood. Ministers who seek to deliver

sermons in other counties, cities or provinces must also first get the approval of the government's Religious Affairs department in their locale. This practice became an undocumented fact long ago. The regulations also stipulate that non-professionals cannot perform religious work. This violates the teachings of the Christian Bible and historical tradition and is something that cannot be observed by Christians. The Bible exhorts all believers to: "give witness to the Lord." The Christian church has always allowed "ordinary believers" (namely, those who have not been trained for the priesthood) to deliver sermons, offer Holy Communion, and visit with friends of the Church and under certain circumstances they may even perform absolution. I really do believe that the government is controlling too many of the affairs that belong to the Christian church itself. I personally recall hearing the Director say that power over human affairs and appointments should belong to the Church and that government cadres may only voice their opinions when Constitutional or legal violations are implicated.

The documents of Guangdong Province also stipulate that "the normal religious activities of approved religious sites shall be protected by law." This raises the question of who is going to determine what activities are normal. It appears that the cadres have the last word. However, some cadres feel that normal means fewer religious activities and thus they strive toward absolute normality.

Document #19 clearly states that the vast majority of persons in religious circles are patriotic and they endorse both socialism and the Communist Party. Thus, we should trust them and use them to pull together the many Christian believers that have drifted away from the Three Freedoms organizations. These are individuals with a natural ability to unite people and, if we don't put them to use but rather blame them for being "lovers of Christianity" and "difficult to deal with" and if we instead choose to employ persons of little faith and who are indifferent, then not only will the people never be untied but persons with shady reputations in the faith will turn into "activists," replace the government's cadres in ordering people around, and blame the Christian church for "having no followers." Is it uncommon for Communist Party personnel to be transferred from the Religious Affairs departments into the Church to act as atheistic leaders of the Church? Where shall we put document #19? Are there really "no followers" in the Church or is it just that the followers have no faith?

I recall in 1980 or 1981 Comrade Xiao Xianfa [5618 6343 3127] published an article in RENMIN RIBAO where he used the phrase "State control over religious activity." There were some Christians who felt this wording was improper and that it suggested "religion run by the government." They asked, if the state controls religion, what is there for us in the religious circles to control? This matter then received close attention from the United Front Work department and Comrade Peng

Chong [1756 5897] who was then acting as director of the department. A conclusion was reached on the matter and published. It may be worthwhile to review that document here.

I might point out that the three Guangdong documents seem to require everything to be pre-approved. In the eyes of a foreigner it would certainly seem that religion is having a tough go at it these days on the Mainland. To borrow the words of anti-Chinese elements, religion is being treated like a "daughter-in-law." This lack of a united front is an enormous loss for us both in our work at home in uniting the people and in the eyes of those abroad.

To conclude, these three documents are rooted in the "dead end" tactics of old whereby we "struggled against religion." The thinking on government religious work in these three documents has not evolved up to the point that document #19 represents.

I feel the same way as leaders of the two associations throughout the nation. We are eagerly looking forward to the day that everything the government does accords

with the Constitution, law, and policy. When this happens we will be able to defend the government. However, these three documents from Guangdong puts us in an extremely difficult position. If they are not corrected, then we can only voice our dissent at home and abroad.

I hope that the State Council's Religious Affairs Bureau acts quickly to clearly express its attitude regarding the measures that Guangdong is now taking and to give guidance to work throughout the nation. Also, please promptly inform me of your bureau's position on the matter and if you feel that my views are one-sided please point this out to me. Please do not brush aside my letter like has been done in the past when I have written regarding issues of importance.

I have attached the speech I delivered this spring to the National People's Congress.

Respectfully yours,

Ding Guangxun, 26 Sept 88

### Currency Appreciation Puts Pressure on Export Trade

40060390 Hong Kong CHING-CHI TAO-PAO  
in Chinese No 9, 6 Mar 89 p 33

[Article by Du Xiping 2629 6007 1627: "Taiwan's Export Trade Under Currency Appreciation"]

[Text] Since 1985, Taiwan's currency has been treading the road of appreciation. By the end of 1988, the New Taiwan [NT] dollar had appreciated by 43.4 percent relative to the U.S. dollar. As the new year began, the NT dollar was again appreciating daily. In Hong Kong this set off a panic among terrified export enterprises.

In 1985, when this current appreciation started, it had an impact on export trade, and this was obviously reflected last year (especially in the last half of last year). Looking at the overall situation, under international market conditions which still appear favorable, the total volume of Taiwan's exports in the last year increased only 13 percent over the year before, lower than the previous 2 years' rate of increase. Moreover, these results still rely on materials industries such as basic metals and chemical materials, plus machinery, electrical equipment, and precision instruments. These technologically intensive industries exports usually bring along with them enormous increases in other exports. In the past the main force of exports has been labor-intensive industries, such as textiles, which had an export increase rate of only 8.9 percent during the first 11 months of last year. The ready-made clothing industry and the foodstuffs industry last year dropped to 6.1 percent and 4.1 percent, respectively. It should be noted that the above figures were calculated with the U.S. dollar as the unit. If they had been calculated using the NT dollar or calculated on quantity, the range of the exports' increases might be even smaller, and the range of decreases even greater. As disclosed by Ch'en Fangmei [7115 5364 5019], Chairman of the board of directors of the Maoyi Corp of Taiwan, the ready-made clothing industry's volume of overseas sales decreased by 25 percent last year, and the Maoyi Corp's volume decreased by more than 30 percent.

As viewed from the exporting regions, because of the great size of the NT dollar's appreciation against the US dollar, and its small scope of appreciation, even depreciation, against other currencies, the J-curve's effect has very obviously affected exports to the United States, Taiwan's largest trading partner. Last year, Taiwan's exports to the United States were originally estimated to have increased by 5 percent, but the final results showed a negative for the first time, a drop of 1.1 percent. Among these, such labor-intensive industries as knitting, foodstuffs, wood products and ready-made clothing showed the largest drop in exports to the United States. According to statistics from the International Trade Office of the Taiwan "Ministry of Economics," Taiwan's exports to the United States have dropped an additional 1.5 percent this year.

From the standpoint of export-oriented enterprises, the exchange rate in recent years has been constantly unstable, especially at the outset of this year, when the rate changed daily. The variation in the rates was so great that it caused a great deal of difficulty for these enterprises. Without a relatively stable internal environment, plus the fact that Taiwan still has not recovered the foreign exchange from advance sales, export-oriented enterprises are faced with assuming by themselves all risks associated with foreign exchange, with no way of transferring the risks elsewhere. Therefore, firms are caught up in a chess game as far as quoted export prices are concerned, and must always think like a gambler. Investment planning and all production and marketing plans are also based on too many indefinite factors and so are difficult to arrange. Especially damaging was the most recent upsurge in the NT dollar's appreciation coincidentally occurring at the same time of year as the enterprises' peak period of receiving orders. Many of these export-oriented enterprises either did not receive their orders because of a drop in competitiveness, or found the exchange rate's variations too difficult to calculate, so they did not accept orders. It must be noted that this rapid appreciation in the NT dollar is taking place against a backdrop of the average wage of a worker in manufacturing rising by more than 10 percent, while conflicts between labor and capital are getting more intense every day. For export-oriented enterprises, this is undoubtedly a case of one disaster after another.

Each exporting enterprise is somewhat different in its ability to bear up under the NT dollar's appreciation. For labor-intensive industries, such as textile printing and dyeing, consumer electronics, shoes, furniture, ready-made clothing, etc., the present exchange rate has already reached the maximum bearable point, these firms' profits are next to nothing, and their ability to compete has been weakened severely. As pointed out by Xie Zhende [6200 6297 1795], director of the Taiwan Furniture Association, the continual appreciation of the NT dollar has resulted in a massive drop in the competitiveness of furniture exporting, with 20 firms in this industry on the island forced out of business last year. Lou Zhizhang [2869 1807 4545], director of the Knitting Association, notes that there has been a succession of the industry's lesser mills closing or cutting back operations due to their inability to withstand the pressures of currency appreciation. Chen Jinsheng [7115 6651 3932], director of the Shoe Association, has even stated that he would rather accept the United States' proposed "301" retaliatory bill and not see another appreciation of the NT dollar. Underlying the remarks from these three, who express the opinions of many business people, is this one problem: The majority of businesses in these industries have been kept constantly on the run by having to cope with the NT dollar's appreciation during the last 2 years; and after going through those months of suffering, they hope for a period of stability in the exchange rate, which would give them a chance to rest and regain their strength. This would enable them to begin research on strengthening their new products, adjust the structure of

products, improve their craft and technology and disperse their foreign markets. If the NT dollar continues its rapid appreciation, then they have no recourse but transfer off the island or close up and go out of business.

The more technologically intensive industries, such as electronics, communications, and machinery have a greater ability to withstand the NT dollar's appreciation than do the more traditional enterprises. This is due to their higher import costs, their lower labor costs and their higher added value. For example, Zhuang Guoqin [8369 0748 2953], has stated that the machinery industry's "worst case scenario" would be for the NT dollar to appreciate to 1:25. Therefore, even though appreciation came in wave after wave last year, the technologically intensive industries of machinery, electronic equipment, and precision instruments, etc., still showed increases of 20 percent, 30 percent, and more. Naturally, there is still a significant negative effect that appreciation of the NT dollar has on these industries' foreign sales, especially when they are just at the initial stage of large-scale exports. Other than the difficulties encountered in operations abroad, the chief evidence of the present appreciation is a decrease in profits from exports, thereby decreasing the amount of funds available for research and development, and impeding improvement in ability to compete.

Although appreciation of the NT dollar has temporarily halted, the pressures it brings still exist. If Sino-U.S. negotiations on the exchange rate do not reach some

satisfactory conclusion, the NT dollar will continue to appreciate in the short term, added to the next period of stagnation due to appreciation, then predictions are that Taiwan will very possibly repeat the situation that happened in Japan during the yen's period of appreciation, that is, a period of enterprise bankruptcies, restructuring and unemployment, plus a peak of overseas investment. Export trade will go from a phase of high growth to one of medium and even slight growth. Taiwan governmental departments have in recent years adopted many measures designed to encourage adjustments in the structure of enterprises and their technological improvement. However, labor-intensive enterprises are the main force of Taiwan export trade, and these cannot be altered fundamentally in a short period of time. Such measures as dispersing markets, adopted by the authorities to relieve the pressures of appreciation, are too slow to be of much help. Businesses are demanding that authorities take a hardline stance in exchange rate negotiations, and insist upon a stable rate policy. They have even furnished a timetable for appreciation, in order to facilitate businesses arranging their operations. They are demanding adoption of measures that will aid business firms in dispersing their risks from the exchange rate, giving high priority to urging that advanced materials enterprises in Taiwan's domestic markets and the less advanced foreign trade enterprises both share in benefiting from appreciation. Obviously, this will lend support to enterprises in such areas of foreign investment as mainland economic trade policy, finance, etc.

**Political Groups Gear Up for Transition of Power**  
40050356 Hong Kong CHENG MING [CONTENDING]  
in Chinese No 137, 1 Mar 89 pp 33-37

[Article by Liu Huiqing 0491 1979 0615: "Warming Up for Party Formation in Hong Kong"]

[Excerpts] [Passage omitted] Because they have been under colonial rule for so many years and still remember very well the dire poverty resulting from the struggle between the Kuomintang [KMT] and CPC, the people of Hong Kong have always considered party politics taboo. But things have now begun to change. Gradually they are becoming more receptive to party politics. Recently, some people are openly discussing party formation and planning to run in the direct election of the Legislative Council to be held in 3 years. [Passage omitted]

No political parties will appear in Hong Kong in the next several years. What is certain is that the direct Legislative Council election in 1991 will germinate a few political organizations in the form of political parties, representing industry, the democratic camp, and the CPC. As for KMT activities in Hong Kong, it seems they will continue to diminish. Recently two Legislative Council members—Li Zhuming [2621 2691 6900], a member of the democratic faction, and Zhang Jianquan [1728 7003 3123], a conservative—have expressed a desire to form political parties. As an industrialist, Zhang Jianquan supports the position of the Chinese and British governments that the future political situation of Hong Kong must be handled with extreme caution. Noting that Hong Kong is not a state, he says his organization cannot be called a political party. Zhang Jianquan lacks the courage to acknowledge that what he is doing is really forming a political party, apparently on the "advice" of Chinese officials, because Beijing has consistently opposed party-formation by the people of Hong Kong.

The CPC-controlled Trade Union Federation is widely regarded as a politically influential organization. Its deputy director, Tan Yaozong [6223 5069 1350] is an indirectly elected member of the Legislative Council. Its director, Zhong Yaotang [6774 5069 2768], who is a delegate to the National People's Congress, has suggested that workers be given a representative on the Executive Council. The Trade Union Federation was reorganized a few years ago to strengthen contacts with the grassroots. During the last couple of years it has put up candidates and supported members and friends in running for district council and Urban Council elections and is actively preparing itself for the direct election of 1991. Will the Trade Union Federation develop into a political party in the future? Tan Yaozong says that will depend on members' demand, trade union resources and orientation, and society's identification with political parties, noting, however, that the time has not yet come for party formation. He also says that if political parties do appear, they should accommodate people from all strata

and of all ideologies and political persuasions. Tan Yaozong says that if a member of the CPC is elected, it proves he has the support of the people of Hong Kong.

The idea of party formation was first raised in the mid-1980's by Li Pengfei [2621 7720 7378], an industrialist and a member of the Legislative and Executive Councils. However, he gave up the idea in 1986, saying that China would not put up with the "people of Hong Kong really running Hong Kong." Maria Tam, a barrister and member of the Legislative and Executive Councils, announced the formation of the Progressive Society in June 1985, which for a while was regarded as a rival of Li Pengfei's organization. Subsequently, the news agency XINHUA expressed its hope that the Progressive Society was not a political party and Maria Tam changed her position, claiming that it was only an organization transcending different strata and devoted to promoting Hong Kong's stability and prosperity. A number of other political organizations also came into being in the early 1980's. However, they all lacked organization, resources, discipline, leadership, and platforms worthy of a political party.

The party-formation impasse was broken by Zhang Jianquan recently. Zhang Jianquan, an indirectly elected member of the Legislative Council, represents the Hong Kong Federation of Industry on the council and is a close friend of Li Pengfei. He says he has informed the Hong Kong and Chinese Governments of his party-forming plan and will issue a party platform in 6 months. Chinese officials have displayed a more tolerant attitude lately, but still emphasize the distinction between "political organizations" and "political parties." We can see that political parties are still a CPC taboo. [passage omitted]

While Li Pengfei has publicly dissociated himself from Zhang Jianquan's organization, the fact that the two have jointly issued a brochure appealing for business support indicates that they are acting in concert. Zhang Jianquan says that he has received HK\$10 million in donations but that he estimates he needs HK\$20 million in startup costs. He says his organization will represent different strata in society and will monitor government policies in order to preserve Hong Kong's social and political status and enable the people of Hong Kong to continue to enjoy existing freedoms and economic achievements. He says, "Only stability and prosperity will guarantee that Beijing will allow Hong Kong self-government after 1997. To achieve stability and prosperity, government cannot undertake too many expensive social welfare programs or develop public facilities too rapidly," adding, "Hong Kong must not hold general elections prematurely because the urgent task right now is to preserve the current social and economic environment and improve the quality of life."

Li Pengfei and Zhang Jianquan have named their political organization the "Hong Kong Economic Guidance Association." According to a brochure sent to a number

of businessmen, they plan to invite 20 "leading businessmen" to be founding members, each of whom will have to donate HK\$1 million to a foundation. In addition, they are to donate HK\$1 million each year for the next 2 years to help pay the organization's operating expenses. Their identities will be kept strictly confidential. The foundation is described in the brochure as a well-organized and highly influential body whose members will include local companies and multinationals with a presence in Hong Kong. The foundation will provide "business politicians" with a forum to review and comment on government policies. All donations will be managed by a trust fund and the law firm of Gao, Li, and Ye is in the process of drafting legal documents to set up the foundation.

According to the brochure, the foundation will be a private nonprofit organization modeled on Japan's Keidanren. Cheng Qing Li, the former deputy finance secretary who retired a number of years ago and has been living in Australia, has been hired as the foundation's executive director. The foundation will consist of a research department and a political department. There are plans to set up an office in each electoral district. Annual operating expenses are projected to range from HK\$1.5 million to HK\$2 million. Some preliminary work is now being done at the Hong Kong Economic Research Center, founded by Li Pengfei and Zhang Jianquan in 1987. The brochure describes the research center as a "temporary body." It has submitted a document reviewing the stock market crash of 1987 to the Davidson Review Committee, suggesting establishment of a financial management bureau composed mainly of people within the banking community. The center has also issued a report strongly opposing any move to end the pegging of the Hong Kong dollar to U.S. currency on grounds that this would undermine public confidence and cause an influx of international hot money into the colony. The center is currently working on a document calling for the import of labor from outside.

Although Zhang Jianquan claims that his organization represents different social strata, the brochure makes it clear that it works for the interests of business groups. The foundation will conduct research on important matters and issue reports to influence government policies. The brochure says that the foundation's research department will be headed by an individual of a high academic standing. The foundation plans to take part in all election activities, particularly the direct election of the Legislative Council in 1991. It also plans to support a number of district council members regarded as popular on the district level and neighborhood leaders in order to compete with the democratic groups, such as Huidian and Hong Kong Association to Promote Democracy and People's Livelihood. The brochure says that Zhang Jianquan and Li Pengfei will personally be in charge of campaign activities.

A businessman who has received a copy of the brochure characterizes the conditions set forth in it as hard to believe, but notes that if he refuses to join, he will be left

out in the cold. Another businessman who has also received a copy says that it is like giving a blank check to Li Pengfei and Zhang Jianquan, authorizing them to do whatever they please without holding them accountable to the donors. While Zhang Jianquan balks at identifying his supporters, they are widely rumored to include Sir Y.K. Pao [0545 3768 0474], Li Kai-sheng [2621 0857 6134], and Tang Jiqian [0781 7535 0578]. Some newspapers have also mentioned Zheng Yutong [6774 5940 1749], the real estate celebrity, and Stanley Ho, the gambling magnate. Zhang Jianquan denies that he is working on behalf of business tycoons, noting that few businessmen in Hong Kong are interested in politics. [passage omitted]

One exception is Cha Jimin [2686 3444 3046], owner of Hong Kong Dyeing Works. Cha Jimin has extensive business interests in Nigeria and the United States as well as Hong Kong and maintains a good relationship with China. He is a close friend of Xu Jiatusun [6079 1367 1470], director of the news agency XINHUA in Hong Kong. It is reported that he played host to Hu Yaobang's wife in Hong Kong a couple of years ago when Hu Yaobang was still general secretary of the CPC. In 1970 Cha Jimin approached a number of young professionals with the idea of organizing a political party, a move which soon fizzled out. Later he became a supporter of Maria Tam's Progressive Society. His ex-daughter-in-law, Wu Xiaozhen [0124 1420 6297], is also a key member of the Group of 89, the Basic Law Consulting Committee. In 1985, Cha Jimin was appointed to the Basic Law Drafting Committee and took an active part in its work. He proposed that Hong Kong be run by a group of advisers composed of businessmen, ex-council members, and senior civil servants.

The Group of 89, which has been very active in the last 2 years, has put forward a conservative political plan under which the chief executive and some members of the Legislative Council would be elected by an "electoral college." The group is opposed to general elections, which it considers harmful to Hong Kong's "stability and prosperity." Members of the group are highly regarded by the Hong Kong and Chinese Governments, some of whom are even touted as Hong Kong's future political leaders. The group includes six Legislative Council members, namely Zhang Jianquan; He Chengtian [0149 2110 1131], an architect; Ye Wenqing [0673 2429 1987], a physician; Pan Zongguang [3382 1350 0342], a professor at Hong Kong University; Tian Beijun [3944 0554 0193], an industrialist; and Huang Kuangyuan [7806 0562 3293], an accountant.

Although Zhang Jianquan is a member of the Group of 89, the group's core members reportedly do not take him or Li Pengfei seriously; neither of them is considered capable of representing business interests effectively on the Legislative and Executive Councils. In contrast, group leader Luo Kangrui [5012 1660 3843], director of the Ruian group, is well regarded and is seen as a successful businessman and a candidate for appointment

as the special administrative region's first chief executive. In the last few years, Luo Kangrui has shown an intense political interest, making frequent contacts with business and political figures. He is vice chairman of the Hong Kong General Chamber of Commerce and may succeed Li Pengfei as chairman. He also sits on several government committees. There are reports that Luo Kangrui, 40, turned down a seat on the Legislative Council last year because he did not want too much of a high profile too soon.

Another member of the group of 89 who is reportedly also interested in becoming chief executive is Lo Tak-shing [5012 1795 2110], a former member of the Legislative Council and Executive Council. Lo Tak-shing is vice chairman of the Basic Law Consulting Committee as well as founder of the "Taipingmen" immigration consulting company. Despite his reputation as a "lone ranger," some Beijing officials think highly of him. According to a member of the Group of 89, Lo Tak-shing is hard at work paving the way for his ascension to the position of chief executive. His strengths are his abilities, his experience on the two councils, his wealth, and his family background—his father is the late Lo Man-kam [5012 2429 6930], who was a member of the Legislative Council and Executive Council, and his maternal grandfather is the famous Ho Tung. His weaknesses are that he is of mixed descent and a British citizen. If he wants to be chief executive, he must give up his British citizenship.

On the surface, a majority of politicians in the conservative camp support maintaining Hong Kong's political status quo. In fact, they are trying to draw as close to Beijing as possible, fishing for influence and power. Feeling that the race for senior positions in the Hong Kong government, particularly the chief executive, is being overheated, some Chinese officials recently expressed hope that the first and second chief executives will be civil servants. It is reported that when Governor David Wilson visited Beijing last November, the Chinese and British Governments agreed that the first Hong Kong chief executive should be appointed a few years before 1997 but that his name would not be disclosed too early so as not to undermine the government's authority and exacerbate the struggle.

If China can really overcome its suspicion of Britain and appoint a civil servant as the special administrative region's first chief executive, the odds-on favorite would be Chen Zuze [7115 4371 3419], deputy secretary for home affairs and the "personal choice" of the late Governor Edward Youde. If China finds this arrangement agreeable, Britain would maintain a degree of influence right up to 1997 and the dreams of Lo Tak-shing and Luo Kangrui of becoming chief executive would be rudely shattered. [passage omitted]

Even as a number of politically ambitious businessmen are bestirring themselves, the democratic groups have not reacted energetically. The weakness of this group is a lack of unity, strong leadership, resources, and a common

political platform. Last December Li Zhuming, a member of the Legislative Council who also sits on the Basic Law Drafting Committee, said that the democratic camp would form a political party within 6 months. His proposal, however, has not been echoed and supported by the other two democratic organizations. Yang Sen [2799 2773], chairman of Huidian, said that his organization intends to develop into a political party but that he has no plan to ally it with other groups. Feng Jianji [7458 2914 1015], vice chairman of the Hong Kong Association for the Promotion of Democracy and People's Livelihood, says that Li Zhuming has not approached him regarding the formation of a political party.

The democratic organization most supportive of Li Zhuming is the Hong Kong Taipingshan Study Group, whose president, He Junren [0149 0193 0088], has indicated that he is cooperating closely with Li Zhuming and others and discussing party formation. As for another democratic leader, Szeto Wah [0674 1778 5478], Legislative Council member and a member of the Basic Law Drafting Committee, he says that he would not consider forming a political party before the formal promulgation of the Basic Law in 1990. Szeto Wah is president of the 40,000-member Association of Education Professionals and has more mass experience than any other democratic leader.

Some political observers note that the democratic camp lacks money, resources, discipline, mass support, and leadership. When Chu Kao-cheng [2612 7559 2973], a member of the Democratic Progressive Party of Taiwan visited Hong Kong last year, he was told by a local democratic figure, "Nobody in Hong Kong is willing to devote time and energy to politics because it has no future."

With the direct election of the Legislative Council in 1991 looming on the horizon, many political organizations will get active and put up candidates. But it is doubtful whether they can appear as political parties. In the final analysis, it will depend on the number of people willing to plunge into Hong Kong politics wholeheartedly.

#### **Turnout Low in Urban Council Elections**

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[Article by Feng Weiguang 7458 0251 0342: "Changing Political Climate and Weakening Role Result in Small Turnout at Urban Council Elections"]

[Text] Two urban council elections ended in a desolate atmosphere. Except for the candidates who seemed a little nervous when they awaited the election results, the elections were quiet from beginning to end. Even the information center, which was set up by the government, looked deserted as if nobody could get excited about it.



Judging by the 17.6-percent voting rate, participation in the two urban council elections can be called disastrous. Even Sun Mingyang [1 327 2494 2254], the new commissioner of justice, expressed disappointment, saying that both the government and citizens should think about this indifferent phenomenon.

Deng Longwei [6772 7893 1218], senior instructor of the department of sociology at the Chinese University, predicted before the election that the voting rate was going to be lower than that of last election. He estimated around 20 percent, but the actual voting rate did not even reach 18 percent, the lowest ever since the implementation of local administration and three-tier structure.

Zheng Yushuo [6774 1342 4311], senior instructor of the departments of political science and administration at the Chinese University, said that such a low voting rate makes people wonder about the value of existence of directly elected seats in the two urban councils. By 1991 when part of the seats in the Legislative Council can be directly elected, the value of directly elected seats in the urban councils will be further reduced. Especially because the district boards, the two urban councils, and the Legislative Council will all hold direct elections in 1991, the voting rate of urban council elections, which will be caught between two large-scale elections, probably would be even lower than this year's. Candidates would hesitate even more about participating.

However, Sun Mingyang, commissioner of justice, held that because the Legislative Council election attracts more attention from citizens, it can encourage them to participate and become more interested in voting for other councils.

As a matter of fact, as Li Zhiyue [2621 2784 1878], outgoing urban council member, said, written duties of urban councils have not been reduced. Only their unwritten political roles have been gradually replaced. The role of people's representative previously played by urban council members has been gradually weakened. The lack of enthusiasm in this election was still another indication that the base of representation of urban councils members has been further weakened.

Because the two urban councils have clear and relatively narrow jurisdictions, few candidates held different political views in this regard. Whoever is elected urban council member would do a good job in the fields of culture, recreation, public health, and urban administration and services. Electing A or B makes very little difference. The only difference is who is more competent. The difference between liberals and conservatives is not very obvious either. It is probably because of this reason and the advantage of public exposure that most urban and regional council members seeking a second term have succeeded. Only Huo Peiyi [7202 0160 0308], one out of 18, failed in seeking a second term. The remaining 17 persons all succeeded.

The voting rate of urban councils in 1989 is lower than that in 1983. In fact, the political climate of the 1989 election is very different from that of the 1983 and the 1986 elections. Because of this, the decline in the voting rate does not seem very unusual. In 1983, the issue of future just began to surface, no open election was held in the Legislative Council, urban council members elected by popular vote were people's representatives of a broad mass base, and urban councils were taken seriously by people in all fields. Because the 1986 election was an important mass election after the signing of the joint declaration and before the Basic Law was formulated, everybody considered the urban council election as a place to measure political powers and examine the experiments of direct election.

In 1989, things are different. The draft of the political structure of the Basic Law has been finalized for the first time, the Legislative Council election has been held twice, and the Legislative Council has become the most important mouthpiece of the people. In contrast, urban councils look much less important. It is not without reason that citizens could not get excited over voting. But we still cannot come to the conclusion that citizens have lost interest in the representative system. The 1991 Legislative Council election will be a real touchstone.

None of the election results was particularly interesting or exciting. Most candidates who were predicted popular have won the election smoothly. They include Zhang Youxing [1728 2589 5281] of Wanchai, Wen Shichang [2429 0013 2490] of North Point, Chen Guoming [7115 0948 2494] of Mong Kok, Feng Jianji [7458 2914 1015] of East Sham Shui Po, Huang Guotong [7806 0948 2717] of Yau Tsin District, Jian Songnian [4675 2646 1628] of East Sha Tin, Lai Jinzhang [6351 6930 3864] of Tai Po, and Huang Wentai [7806 2429 3141] of West Kowloon and Tsin Yee.

A landslide occurred in the East Sha Tin Electoral District, where a close election had been predicted. Liu Jianghua [0491 3068 5478], who had 10,271 votes, the highest in Hong Kong (including urban and regional council elections), defeated his challenger Feng Zhihuo [7458 2535 3172], who had only some 3,000 votes. Although Liu Jianghua's sweeping victory had something to do with the fact that he had more campaign workers than other candidates (a ratio of 6 to 1), it shows that mass work can be more helpful than public exposure when it comes to getting votes. Liu Jianghua himself also thought his sweeping victory had something to do with extensive internal mass work.

The competition in Tsuen Wan district was believed to be the closest. It was a face-to-face confrontation between the Democrats and the Lijin Society. Chen Weiye [7115 0251 2814], member of the Democratic Association, beat Yang Fuguang [2799 4395 1639] by a narrow margin of several hundred votes in last election. In 1989, Yang came back as vice chairman of the Lijin Society. Since Yang Fuguang had carried out sufficient

preparation and canvassing work, many people predicted that he could get even in this election. Even Chen Weiye's campaign workers thought that the odds were better for Yang Fuguang. Judged by the number of campaign workers stationed at the four polling booths of the Tsuen Wan District, Yang Fuguang also appeared to have gained the upper hand. Chen Weiye had Li Zhuming [2621 2691 6900] and Zhou Meide [0719 5019 1795] helping him to get votes, and Yang had Tan Huizhu [6223 1920 3796] to back him up. As it turned out, Chen beat Yang Fuguang by 9,000 to 7,000 votes. The margin was nearly 2,000 votes, even greater than in the 1986 election. Chen Weiye fought a skillful battle although he had been seen as an underdog.

The smashing victory of Chen Weiye and Huang Wentai plus the previous automatic victory of Zhou Yixi [0719 1150 1585] show that democratic parties, especially the Democratic Association, indeed have great strength in Tsuen Wan and Kui Tsin districts. If these two districts are grouped into a large electoral district in the 1991 direct election of the Legislative Council, democratic parties should be able to gain the seat of this district.

In Tan Mun and Un Long districts, Wu Mingqin [0702 2494 2953], one out of three candidates of the West Meeting Point Office, won a second term. Cai Jiang Yuelan [5591 5592 2588 5695] and Zhong Guiping [6988 6311 1627] both lost to Pan Zhanhong [3382 1455 7703] and Yan Jinqun [1750 6930 0356] who were supported by district organizations and rural powers. At first, Wu Mingqin was challenged by Wang Jiankang [3769 0256 1660] of rural groups. But because Wu Mingqin has always been active in these districts, he managed to win by a 2-to-1 margin. This election showed that several major political powers actually coexist in Tan Mun and Un Long districts. It is not easy for democratic parties to win the majority of votes. Many candidates will get support from rural powers and original mass organizations. Who will win the final prize in the direct election of 1991 still depends on how the three powers coordinate with each other. None of them would have full assurance of success unless two of them join forces.

Democratic council members won in both East and West Sham Shui Po districts. It seems that democratic support is stronger than neighborhood groups in Sham Shui Po district, but not necessarily by a great deal. The strength of the two sides is very close. If Sham Shui Po district is merged with another district in the Legislative Council election of 1991, democratic parties will be assured of success.

The only former member who struck out in this election is Huo Peiyi, who lost by 600 votes to Mo Yingfan [5459 2019 0416] in South Wong Tai Sen district. Mo had the support of the Democratic Association. At first, both candidates requested the Democratic Association for support. The executive committee of the Democratic Association decided to support Mo Yingfan. But Huo Peiyi insisted on running, so she was forced to become a supporting member. Without the support of the Democratic Association, Huo Peiyi failed in spite of all her efforts to canvass for votes. This shows that the Democratic Association has established a strong force in South Wong Tai Sen District, so it is very difficult for candidates who lack group support to compete in this district.

Of course, the election results of urban councils do not necessarily help us predict the 1991 direct election of the Legislative Council. Besides, since the voting rate is less than 20 percent, the representation of the election results is also questionable. Since democrats and conservatives show little difference in administrative affairs, constituents do not necessarily consider this point. Therefore, the results of this election can only roughly show a simple ratio between different political powers.

After the quiet direct election, the two urban councils will hold an indirect election of "a very high voting rate." In this election, the district boards will nominate and elect representatives to the urban councils. But no matter who become urban council members, the question still remain the same: How do they further improve their role as people's representative?