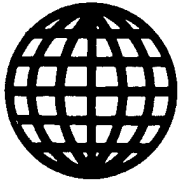


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6 APRIL 1989



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NATIONAL AFFAIRS, POLICY

Official on Ten Years of Enterprise Reform

HK0803072389 Beijing RENMIN RIBAO
in Chinese 5 Mar 89 p 2

[Dispatch by reporter Jiang Shaogao 3068 4801 7559:
"Yuan Baohua 5913 1405 5478 Speaks About Reforms
in Enterprises in the Past Decade"]

[Text] Beijing, 4 Mar—China's enterprise management has changed from an enclosed to an opening type. This is a great turning point in China's history of enterprise management.

In a public lecture marking the 10th anniversary of the founding of the Enterprise Management Association, its president Yuan Baohua said that China's enterprise management is getting rid of the restriction of the old structure under the product economy. An enterprise managerial mechanism characterized by the interest motivation and risk pressure is taking shape. It is universally acknowledged in the enterprise circles that enterprise leaders have changed from the administrator type to entrepreneurs. This trend is irreversible although those who are worthy entrepreneurs constitute only a small part of the directors (executives) at present. At the same time, the establishment of the new leadership structure, namely the system of factory director's responsibility, has intensified the unified leadership in enterprise production and operation.

Another characteristic of the profound changes in enterprise management is the shift of focus from material objects and equipment to "taking people as the key." How to recruit, to bring up, and to employ qualified people has become a decisive factor in whether the enterprise will be successful in competition.

Of course, many problems still exist in enterprise managerial work. According to Yuan Baohua, attention must be paid to the continuity and relative stability of policy, and importance must be attached to the enterprise's internal administration. The development line of taking public ownership as the main body must be adhered to.

Governors, Mayors Discuss 'New Ideas' for Economic Improvement

HK1103064589 Beijing XINHUA Hong Kong Service
in Chinese 0310 GMT 8 Mar 89

[Roundup by Yang Jinzhou 2799 6855 3166: "Some Provinces and Cities in China Are Discussing New Ideas on Improvement of Economic Environment and Rectification of Economic Order"]

[Text] Hong Kong, 3 Mar (XINHUA)—Since the 3d plenum of the 13th CPC Congress set the policy of "improving the economic environment, rectifying the economic order, and comprehensively deepening the reform" in September last year, the central government

as well as the authorities in all localities have taken a series of measures in this respect, and at the same time some provinces and cities have been deliberating on new ideas.

Beijing: Making Vigorous Efforts To Readjust the Economic Structure

Beijing Mayor Chen Xitong said: Beijing's economic structure is irrational, and it is necessary to make vigorous efforts to readjust the industrial structure, enterprise structure, and product mix. He listed the tasks as follows: Making full use of Beijing's strong points in science and technology to develop high-tech industries and products with high added value; restricting or suspending the production of commodities which have sluggish sales, do not have their raw and processed materials guaranteed, and have poor economic returns; rationalizing the combination of enterprises through merging, leasing, joint operation, or even putting poorly managed enterprises under other people's control, so that industries and products which have an edge over others will expand at a greater rate; continuing to do a good job in rationalizing labor groups; assigning to proper posts those who have become well-off after rationalization; and stepping up the professional, technical, and ideological training of staff and workers.

Shanghai: "Stabilizing, Curtailing, Preventing, Readjusting, and Reforming"

Shanghai Mayor Zhu Rongji insisted: Shanghai will this year direct its main efforts to stabilizing the market and prices; curtailing the scale of investment in fixed assets; preventing consumption funds from growing too rapidly; readjusting the industrial structure and product mix; and deepening the internal reform of key enterprises.

Zhu Rongji went on: Shanghai's agricultural production will remain stable and grow a little this year; industrial production will increase 5 percent, 50 percent less than last year; and the "overheated economy" will be improved. Shanghai earned a record amount of foreign currency last year. It will introduce a "two-way contract system" in foreign trade, that is, it will contract out the task of earning foreign currency to manufacturing enterprises, and then entrust foreign-trade enterprises, acting as agencies, to market the products produced by the manufacturing enterprises, thus pushing the manufacturing enterprises to the first line of foreign trade, namely, the international market.

Zhu Rongji's view on curtailing investment in fixed assets is: "Cut some projects while keeping others." The projects that should be preserved include the bridge over the Huangpu Jiang, the subway, and the polluted water treatment project; and those that should be cut include office buildings, auditoriums, and guest houses, guest houses in particular. He indicated that an office in charge of building key projects has been set up. The office will concentrate on some projects which must be

guaranteed, including, among others, color television tube factories, flat cold-rolled sheet steel factories, and the project producing 300,000 tons of ethylene annually, those projects serving to readjust the industrial structure.

Tianjin: Developing Trades in the Countryside Which Are Supplementary to Each Other

Tianjin Mayor Li Ruihuan pointed out: To solve the problem of developing township enterprises to the neglect of agriculture, it is necessary to develop trades in the countryside which are supplementary to each other so as to strike a balance in the internal relationship of all trades in the countryside. He said: the problem related to agriculture is in essence one of distribution of interests among all trades in the countryside. It is difficult to basically solve the problem if you think of raising the price of grain first.

What is meant by "supplementary"? Li Ruihuan suggested that part of the profits made by township enterprises be shifted to the production of grain and nonstaple foods by making use of the tax lever; that the township or town ensure that the total income of every member of each trade is generally the same; and that the industry, agriculture, and subsidiary businesses within a suitable region be bound up together for assessment. Those who fail to accomplish the assigned tasks should receive economic punishment; and those regions that pay little attention to production of agricultural and sideline products should be prevented by administrative means from getting commodities from urban enterprises and from setting up more township enterprises.

Guangdong: "Curtailing, Readjusting, Maintaining, Grasping, Seeking, and Improving"

The new ideas put forward by the Secretary of Guangdong Provincial CPC Committee Lin Ruo on the problem of how Guangdong province should carry out the policy of improving and rectifying economy and the economic development strategy for the coastal regions are: "curtail capital construction, readjust the structure, guarantee production, grasp reform, seek better results, and improve quality."

Lin Ruo said: The improvement and rectification across the land has created a favorable atmosphere and prompted Guangdong to readjust its industrial structure and investment structure. We found it difficult to bring the "overheated" economy under control. Now we can attain the objective by taking advantage of the general atmosphere. This is an opportunity. We have another external favorable opportunity for our developing the economy: the world situation is relaxing; developed countries are readjusting their industrial structures. He stressed that we cannot afford "to let slip these two opportunities; they may never come again."

Lin Ruo added: Guangdong has made some headway in the work of improving the economic environment and rectifying the economic order, yet the work leaves much to be desired. We should not stop after gaining a little knowledge about the economy. He stressed that two things must be placed on the agenda: First, the leadership must improve its understanding of the situation, take overall interests into account, and be active and enterprising, rather than taking a wait-and-see attitude. Second, paying attention to the scale of credit. It is necessary to check on bank credit and effectively control the scale of capital construction.

On economic readjustment in Guangdong, Lin Ruo stressed, adopting special policies for key industries and resolutely cutting those processing projects that vie with the hinterland for raw materials and markets, while concentrating resources saved from those projects on transport, energy, and raw material industries, and on developing the export-led economy.

Liaoning: "Adopting Special Policies" for Agriculture in Expanding the Economy

Liaoning Provincial Government recently pointed out that it is necessary to amass resources in a comprehensive way to build the province into a first-rate agricultural base while continuing to build it as a heavy industrial base. For this purpose, the province has decided to institute special policies for agriculture in developing its economy.

The main contents of these special policies are: Beginning this year it is necessary for all kinds of funds to allocate more money for expanding agricultural production in the drive to readjust the structure of investment across the province; funds for energy and transport projects, among other things, should increase their proportion of investment in projects beneficial to agricultural production; funds for scientific research should also allocate a greater percentage of money to projects relating to agriculture; setting up funds for agricultural development and investment companies; and so on.

A greater portion of foreign funds and foreign exchange reserved for local use will also be allocated to agriculture. Governor Li Changchun said that most of the \$30-million loan offered to Liaoning by the World Bank will be used to develop agricultural production.

More money will be invested in fixed assets relating to agriculture. While reducing the total scale of capital construction, the province will set up a number of "agricultural projects with strength for future development," the main ones including the multiple agricultural development project in the Liao He Delta and the wheat base in the middle-west region.

It is also necessary to give priority to agriculture while readjusting the industrial structure, and to vigorously develop the farming industry and improve the capacity

to supply agricultural means of production while curtailing a number of projects which have an excessive rate of energy consumption and low efficiency.

Jiangsu: Building Up Superiority in Four Respects as Soon as Possible

Jiangsu Provincial Governor Gu Xiulian emphasized that it is necessary to build up superiority in four respects as soon as possible by taking advantage of the favorable opportunity provided by the current drive to improve the economic environment and rectify the economic order. The superiorities include: 1) Technological superiority. It is necessary to mobilize technological and scientific forces on all sides to develop advanced and new technology and applied technology, building up technological superiority so that the process of "building the province through science and technology" will be stepped up. 2) Productive superiority. It is necessary to readjust and rationalize the industry and product mixes so as to build up new productive superiority. 3) Superiority in scale and collective forces. It is necessary to readjust the structure of business organization and to make vigorous efforts to develop enterprise groups so as to form new superiority in scale and collective forces. 4) Superiority in export-led economy. It is necessary to resolutely carry out the economic development strategy for the coastal regions and to make use of the strong points the province enjoys to advance foreign trade, building up superiority in export-oriented economy.

Fujian: Resolutely Carrying Out the Economic Development Strategy for the Coastal Regions

Fujian Provincial Governor Wang Zhaoguo said it is necessary to bring into play Fujian's strong points provided by opening up to the outside world while improving the economic environment and rectifying the economic order; to concentrate on key tasks, taking advantage of the current favorable international situation; and to resolutely carry out the economic development strategy for the coastal regions.

Wang Zhaoguo listed the following as the key tasks: 1) It is necessary to concentrate resources to guarantee the construction of key projects. In Fujian there is a total of 14 key projects for this year, mainly big and medium-sized projects relating to energy, transport, and raw and processed materials industries. 2) It is necessary to run the existing "enterprises of three capital sources (foreign capital, overseas Chinese capital, and Hong Kong and Macao capital)" properly in a down-to-earth manner, and to consciously enforce the approved contracts with foreign businessmen for investment. 3) It is necessary to enlarge the scale of making use of foreign funds, and to curtail those home-oriented enterprises that consume and waste large amounts of resources and are poorly managed while developing joint ventures and cooperative enterprises. Small state-run enterprises can be sold and leased to foreign businessmen. 4) Vigorous efforts must be made to help develop industries which import

funds and raw materials and export finished products. 5) Trying to earn as much foreign exchange as possible by vigorously expanding foreign trade. 6) It is necessary to promote cooperation to a greater extent and to improve our relations with overseas Chinese, compatriots in Taiwan and Hong Kong, and foreign businessmen. At the same time it is necessary to go all out to invite enterprises in other provinces or cities or state-run enterprises to come to Fujian to join foreign businessmen in setting up joint ventures and cooperative enterprises.

Minutes of Meeting on Developing Poor Areas *OW1003155189 Beijing XINHUA Domestic Service* *in Chinese 1243 GMT 6 Mar 89*

[Local Broadcast News Service]

[Text] Beijing, 6 Mar (XINHUA)— With the approval of the State Council, the State Council General Department recently transmitted "The Minutes of the Seventh Meeting of the State Council's Leading Group for Economic Development in Poor Areas."

On the current situation and the major tasks for the last 2 years of the Seventh 5-Year Plan, the minutes noted: By the end of 1988, about 60 percent of all the poor households on government aid in various provinces and autonomous regions had already solved their food and clothing problems, and one-fourth of the over 300 poverty stricken counties given economic aid by the state had crossed the line of not having enough to eat or wear. The problem now is: First, although the number of poor households has declined, the help-the-poor work is getting tougher because it has entered the critical stage of having to combat the most difficult problems. Second, although some poverty stricken areas have solved their food and clothing problems, they still have to work extremely hard for a long time to come before they can develop on their own and get rid of poverty. To this end, the major tasks for the economic development of poor areas across the country in the last 2 years of the Seventh 5-Year Plan are to adopt more forceful measures, concentrate our efforts, fight a good battle over the food and clothing problem, and strive to achieve the goal of the Seventh 5-Year Plan, that is, solving the food and clothing problems for the majority of the people in the poor areas.

The minutes emphasized the importance of adopting forceful measures to fulfill the six goals of solving the food and clothing problems for most of the people of the poor areas during the Seventh 5-Year Plan. First, various provinces and autonomous regions are required to conduct a comprehensive analysis of the leading groups of the counties, townships, and villages whose food and clothing problems remain unsolved. For the leading groups that lack the ability to complete the task of the critical stage, efforts must be made to readjust them as soon as possible so that the chance to win the battle is not lost.

The minutes stressed that efforts should be made to help the poverty stricken counties whose food and clothing problems have been solved transfer to a new economic development stage which is focused on developing the regional economy, make centralized and efficient use of the now available help-the-poor funds and materials so as to produce the best economic results, run the help-the-poor institutions with efficiency, develop lateral connections among them, establish highly efficient input-output mechanisms, strengthen leadership, improve administration organizations, and keep up the good work in cadre training work.

Ways To Eliminate Complex Causes of Current Inflation

40060274 Shanghai SHIJIE JINGJI WENHUI
[WORLD ECONOMIC FORUM] in Chinese
No 6, 5 Dec 88 pp 21-24

[Article by Zhang Heping 1728 0735 1627: "Deepening of Reform and Eradication of Inflation"]

[Text] Inflation has unavoidably occurred in China during the replacement of the old system with the new. "Where it came from" (meaning the mechanism that produced inflation), and "where it is going" (meaning how to get rid of inflation) are the topics this article explores.

I. Dissection of the Deep Down Reasons That Produced Inflation

China's inflation is a full blown inflation that combines three elements into one, i.e., it contains a demand-led inflation, a cost-driven inflation, and a structural inflation. Although each of these three kinds of inflation is manifested in different ways, they hold a single common deep-seated rationale that is rooted in the prevailing economic system. Let us now conduct a concrete analysis.

(1) Demand-Led Inflation. This is inflation caused by total demand exceeding total supply. Since the demand for goods and labor exceeds the available supply at prevailing prices, a general rise in prices occurs. The sources of China's demand-led inflation are two: namely the inflation of investment and the inflation of consumption.

1. Inflation Caused by Inflation of Investment. Under the traditional system, inflation of investment was largely the inflation of investment within the central government budget, and it frequently resulted from pell-mell pursuit of unrealistically high speed development. Inflation of investment under the present system, however, is attributable largely to the local government extra-budgetary inflation of investment. With the delegation of investment decision making authority during the process of investment system reform, the dominant portion of investment was transferred from inside budget to outside budget, and from the central government

to local governments, but national power to restrict the scale of investment throughout the society was not transferable to local governments and enterprises. At the same time, neither local governments nor enterprises themselves possessed a mechanism for self-limitation and self-control. Driven by the pursuit of "parochial interests," local governments did all possible to raise funds to expand investment in order to: (1) increase their own distributable earnings, (2) accelerate the speed of increase in output value in order to win national favor, and (3) use project investment as a pretext for getting as much capital as possible from higher authority, the so-called, "throwing out bait to catch fish." In addition, the prospect of no agreed sharing of returns between the central government and a local government even more impelled local governments to invest as rapidly as possible and as much as possible. All these factors propelled a steady inflation of total investment. Take inflation of investment by enterprises. Although reform resulted in enterprises having greater decision making authority, and established a relationship between profits and losses and enterprises' own returns; and although market profits are showing a trend toward gradual strengthening, investment beginning to respond, to a certain extent, to interest rates and other monetary and currency policy parameters; nevertheless, enterprises are still administratively subordinate to specific governments, and are most sensitive to the desires of government departments in charge and persons in charge. They are only second most sensitive to parameter levers, and market price signals. Government investment shocks are easily transmitted to enterprises, and may be magnified by enterprises. So long as the government will bear the risks, enterprise leaders may go all out to set up new locations, which leads to a steady rise in the inflation of investment.

2. Inflation Caused by Inflation of Consumption. During the present period of change from the old to the new system, the irrational external environment has caused enterprises to take short term actions. Specifics are as follows. The skewed price system means unequal opportunities for enterprises and unfairness in their sharing of returns. Failure to complete reform of the tax system means that front runners are discouraged while nothing is done to spur the laggards, and this is reflected in an inequitable regulation of returns in the redistribution system. Price signals distortion, and market deformity have led to wrong choices and misguidance. The constant state of flux in operating systems means that enterprises are unable to get a clear understanding of their development prospects and anticipated earnings. To one degree or another, all these external factors intensify a short-term attitude on the part of enterprises. At the same time, enterprises lack an external mechanism for restricting the ratio between assets and returns, and a sound organizationally dynamic structure. In addition, as yet no mechanism exists in enterprises themselves for balancing benefits such as profits versus wages, and accumulations versus consumption. The identity of interests of enterprise decision makers and

the interests of staff members and workers conflicts with the interests of the state; unavoidably, this also contributes to enterprises' short-term attitude. This short-term attitude shows up on the consumption side in an inflation of consumption funds. On the one hand, enterprises' retained profits are used for current consumption to the maximum extent possible, mostly in the form of bonuses, various kinds of subsidies, and the distribution of material goods. This increases non-productive investment, which shows up particularly in the form of investment in housing. On the other hand, enterprises go all out to increase the total amount of retained profits through haggling, tax cheating, and tax evasion.

(2) Cost-Driven Inflation. This means inflation that is brought about by commodity cost factors. Cost-driven inflation in China today is mostly of two kinds as follows: inflation driven by the cost of raw and finished materials, and inflation driven by wage costs.

1. Raw and Processed Materials Cost-Driven Inflation. Given the present conditions in which the structure of industry is seriously skewed, and there is a serious shortage of raw and processed materials as well as energy, the partial or complete opening up of means of production markets will unavoidable lead to a tremendous rise in prices of raw and processed materials. Under the prevailing system, enterprises' technical facilities and management are both backward, and there is no short-term possibility of completely or partially eliminating a rise in the cost of raw and processed materials through the tapping of potential, updating, technical transformation or improvement of management standards. As a result, either commodity prices will rise as the cost of raw and processed materials rise, or enterprises' profits will decline, thereby causing a decline in payments of profits and taxes to the state. However, the rigidity of state financial revenue needs will be bound to lead to rigidity in tax and profit payment requirements, as well as to rigidity in enterprises' profit retention. Thus, the only means available is to let product prices rise accordingly in order to protect the state's financial revenues. In this way, the inflationary pressure within enterprises that is led by a rise in the cost of raw and processed materials will, following state approval or acquiescence, be translated into the reality of inflation.

2. Wage Cost-Led Inflation. The following formula may be used to explain the correlation between the rate of increase in prices and the rate of increase in wages: $\text{Price Rise Rate} = \text{Wage Rise Rate} - \text{Rate of Increase in Labor Productivity Rate}$. This formula shows that if the rate of increase in wages is greater than the rate of increase in the labor productivity rate, a rise in prices is bound to occur. Payments for wages have increased tremendously in recent years. Since 1984, payments for wages have increased by more than 20 percent annually, vastly exceeding the speed of increase in the labor productivity rate. This has resulted from increases in the price of agricultural and sideline products, and the price of food and the manufactures of both light industry and the

textile industry, which have been driven by a succession of rises in the costs of raw and processed materials. This has, in turn, led to corresponding increases in wages and the issuance of subsidies for non-staple foods to staff members and workers. It has also resulted from the long-standing egalitarianism that has virtually become a standard of behavior in socialist enterprises. This standard of behavior produces a situation of mutual disclosure, mutual vying, and mutual competition among enterprises and industries in the payment of wages and bonuses. No matter how much a given enterprise or industry may increase its labor productivity rate, the payment of wages has to keep up with that of the enterprise or industry having the highest earnings. This leads to a rise in wage costs throughout society, and translates into wage-driven inflation.

(3) Structural Inflation. By so-called structural inflation is meant inflation that is brought about by changes in factors in the economic structure, meaning inflation caused by imbalances in the industrial structure or the product mix. In China, imbalance in the industrial structure is manifested in the following ways: (1) Sustained fluctuation with no forward movement, or possibly even regression, in the productivity of the agricultural sector, with sustained inability to produce the people's or the industrial sector's needs for agricultural and sideline products. (2) A serious disjunction between basic industries and processing industries in the industrial sector, there being a serious surplus of processing industries but a serious shortage of energy producing industries and raw and processed materials industries, which forms a "bottleneck" in economic development. Take the period 1984 through 1986, for example, when extractive industries increased 43.3 percent and raw and processed materials industries increased 39.2 percent, while processing industries increased 64.9 percent. The current imbalance in China's product mix shows up in continued production of slow selling commodities accompanied by a serious insufficiency of production capacity for brisk selling commodities. Thus, a surplus of slow selling commodities and a serious shortage of brisk selling commodities continues, both an oversupply and a shortage of commodities existing at the same time.

The fundamental reason for the imbalance in the industrial structure and the product mix in China lies in the incomplete development of China's markets, and the incomplete market operating mechanism. This demonstrates in a concentrated way that prices are unable to convey accurate signals to enterprises and consumers, and that relative prices are unable to reflect scarcity. Consequently, price signals are unable to play their necessary role in the distribution of resources. Additionally, because markets lack a risk mechanism, and are particularly lacking in a mechanism for dealing with bankruptcies and mergers, it is impossible to marshal the elements of production freely, nor can available assets be adjusted.

Imbalance in the industrial structure and the product mix produces insufficient effective supply, which leads,

in turn, to structural inflation. The shortage of goods in short supply directly causes an increase in prices for this category of goods, and the tremendous rise in prices of goods in short supply produces an attendant reaction on goods in oversupply. It either prevents a fall in their price, or it stimulates a rise in their price. This is to say that the price of goods for which the demand is greater than the supply naturally rises, while the price of goods for which the supply is greater than the demand cannot go down, thereby leading to a steady overall rise in prices.

To summarize the foregoing, during the period of change over from the old to the new system, when the operating mechanism of the old system is in disarray and the new system has yet to be established, China's inflation is decidedly not entirely a currency phenomenon, but rather a complex systems phenomenon; thus the fundamental way in which to eliminate inflation is the deepening of system reform, steady perfection of macroeconomic adjustment and control methods, and rapid increase in effective supply.

II. Questioning Two Current Views About How To Eliminate Inflation

There are two prevailing views about how to eliminate inflation. I do not believe that the actions that these two views propose can effectively eliminate China's inflation.

One view holds that, in the final analysis, inflation is attributable to the printing of too much money; therefore, the key to eliminating inflation lies in tightening up the money supply, reining in the money supply, and controlling the amount of money that is printed. I believe that those who hold this view are only simplistically attributing the complex reasons for inflation to an overly lax supply of money. No doubt, this takes into account only the superficial aspects of inflation without looking at its substance. Of crucial significance in understanding the inflation problem is an awareness of the reasons why the money supply is loosened up. Realistically speaking, the money supply per se is a passive factor. Unless one begins with the generative mechanism inherent in inflation, it will be impossible to control the volume of the money supply.

The second view holds that when fairly serious inflation occurs before the new system has begun to operate, only administrative control measures to control total demand can bring supply and total demand into balance, thereby eliminating inflation. Short of this, there is no other fully effective method.

In view of the foregoing analysis of inflation, these points of view are also incorrect. (1) Take the generative mechanism for the present demand-led inflation. This no longer equates to the generative mechanism in the traditional demand-led inflation; therefore, continued use of conventional administrative methods to control such

inflation will produce increasingly poor results. For example, prices rose 6 percent in 1980, but after a "tightening" in 1982, they declined the following year. In 1985, prices rose greatly once again, this time by 8.8 percent. Following a tightening at the end of the year, they fell only slightly the following year, still remaining at 6 percent, and rose rapidly again in 1987. The "tightening" did not succeed. (2) China's inflation is of a mixed type. It is not just a demand-led inflation, but also a cost-driven and a structural inflation. Even were administrative measures temporarily effective in controlling the inflation of demand, that would eliminate only the demand-led part of the inflation, and would have no effect on the other two kinds of inflation. (3) Use of coercive administrative measures to moderate the conflict between total demand and total supply would only have the effect of forcing the open inflation back into a concealed inflation, which might lead to another round of even higher inflation. (4) Use of these methods to eliminate inflation frequently causes supply to decline as demand declines, or even to decline more. Thus, not only are anticipated results not attained, but rather economic development is seriously impeded leading to economic "stagflation."

III. Deepening of Reform, Perfection of Macroeconomic Adjustment and Control Measures, and Elimination of Demand-Led Inflation

The foregoing analysis of the inflation of demand shows current total social demand as continuing too vigorously, making "the consumption starvation," and "the investment starvation" difficult to control for the following reasons. During the stage of systems change over, the control capability of the traditional system is temporarily degenerated and weakened; however, it still expresses itself vigorously. In particular, the quantitative driving mechanism of "investment starvation syndrome" and "consumption starvation syndrome," frequently become strong. Meanwhile, the adjustment and control methods of the new system are still in the process of being built and perfected, and until they are in normal operation, it is very difficult for them to exercise a macroeconomic control function over the economic activities of all economic bodies. For example, inflation of investment stems fundamentally from a lack of effective regulation of local government extra-budgetary investment; overly fast inflation of consumption stems fundamentally from enterprises lack of a self-limiting mechanism. The only way to solve these problems is to firmly and steadily push for complete reform. Full use should be made of the market operating mechanism as a basis for perfecting macroeconomic regulation and control methods, and the self-limiting demand mechanism should be used in place of the self-expanding demand mechanism.

(1) Giving impetus to banking system reform. The role of the banking system in regulating total social demand is currently far from being used to the full. Making use of

this role of the banking system to meet the needs of a commodity economy itself requires unswerving promotion of banking system reform.

First, the central bank has to have greater independence. The various obstacles encountered today in execution of the country's currency policies show that the central bank currently has little authority to make its own decisions on macro-currency policies in terms of the need for development of the commodity economy and the capital supply and demand situation. It is still unable to free itself from the fetters of government control, and it lacks the independence it should have for currency policy formulation and execution. This is extremely inconsistent with the demands on the central bank posed by the development of the commodity economy and reform. Therefore, reform and elevation of the central bank's status, enabling it to issue currency independently is imperative.

Second is improving and buttressing the central banks' macroeconomic regulation and control methods. The central bank's macroeconomic control mechanism is still not complete. Mostly its currency policy tools are simple ones, and it lacks market tools, in particular. Consequently, banking system reform would permit the central bank to gradually apply economic techniques to the regulation and control of financial markets, its economic methods being as follows: (1) Statutory reserve fund method. (2) Open market dealings. (3) Rediscounting and relending methods.

Third is running specialized banks like businesses. In a market economy, in the course of their market activity, specialized banks should do their loan business competitively as the market requires, independently soaking up funds and operating capital, and bearing responsibility for risks and profits and losses. However, China's specialized banks still do not operate like businesses, and the cost of funds is still not tied to the economic returns they provide. Under these circumstances, the regulatory and control role of banking techniques is bound to be limited, or even completely ineffective. Therefore reform of the banking system should include reform that makes specialized banks operate on a businesslike basis, specialized banks being genuinely concerned about the cost of funds as a matter of material benefit, with attention being given to using funds in a rational way in order to create conditions for interest rate methods and other policy methods to play a better role.

Fourth is the step-by-step opening and building of capital markets. Sound capital markets are the foundation from which currency policy operates. Without capital markets, specialized banks cannot become genuinely businesslike, nor can the central bank use the savings reserves system to formulate rediscount rates, to conduct open market operations, and such policy methods, regulate the market supply of currency, and regulate the national economy. The building of capital markets requires, first of all, a speed up of banking system

reform, gradually changing the three major specialized banks into businesslike commercial banks. Second is the development of financial activities through many channels, at many levels, and in many forms in the development of wideranging fund raising activities of various kinds throughout society. Third is the need to found various kinds of financial instruments including stock shares, debentures, and negotiable paper in the establishment of basic facilities for capital market operations. Fourth is gradual development of all kinds of financial mechanisms for the gradual building of a multilevel, multiform financial structure.

(2) Impetus to Government Financial System Reform

1. Government financial deficits must be eliminated. Government financial deficits are frequently the "chief culprit" in demand-led inflation. More than half of the notes that China's banks have issued in recent years have been to make up financial deficits. Therefore, until the financial deficit has been eliminated, there can be no more issuance of banknotes, and elimination of the financial deficit has to begin, first of all, with control of government financial expenditures. First, there must be great reduction in administrative expenses as a part of government financial expenditures. To a very large extent, this depends on political system reform. This is because the structure of state financial expenses shows that it was administrative expenses that increased most during the Sixth 5-Year Plan. Within the 5 year period, expenses for economic construction as a percentage of total government financial expenditures decreased from 44.6 percent in 1980 to 39.2 percent in 1985, while administrative expenses as a percentage of total government financial expenditures rose from 35.9 percent in 1980 to 48 percent in 1985 in a 1.54 billion yuan increase. Therefore, reduction of government administrative expenses is a major step in decreasing the national financial deficit. Second, in readjusting the structure of government financial expenses, changing government payment priorities, and using government financial earnings to limit the size of investment, the size of investment cannot be used to decide the amount of government financial expenditures.

2. The building of a budget system and putting it on a sound footing is another key in bringing inflation to a halt through reform of the government financial system. A budget policy making system has to be built, with budget policy decisions being examined and verified by budget committees in people's congresses at all levels in the application of economic democracy to rigorous control of government financial expenditures.

(3) Promotion of enterprise system reforms. Elimination of hidden inflationary dangers requires persisting in penetrating reform of the enterprise system. The focus of reform should be shifted to the clarification of property rights relationships as a means of both regularizing and perfecting enterprises' operating mechanisms, and restructuring the economic character of enterprises'

internal accumulations and consumption. Specifically, this means moving in the direction of an internal realignment of enterprises' ownership rights and management rights in order to introduce new ideas into enterprise organization and the enterprise system. Enterprise policymakers will thereby become true policy risk takers, spurring the development of an entrepreneurial class that can represent the long-term development of enterprises in the formation of a balanced mechanism able to exercise restraint on both enterprise policy makers and staff members and workers.

(4) Establishment and strengthening of self-limiting mechanisms in local governments is a basic means for eliminating extra-budgetary inflation. This can be done primarily through local budget restrictions that produce a self-limiting mechanism. (1) Complete elimination of local government financial and central government financial supply relationships, and spelling out the intended apportionment between the central and local governments of enterprise returns. (2) Strict limitation of local government administrative fund raising from enterprises and social organizations. All local government extra-budgetary expenditures are to be financed with credit obtained from banks at the going market rate. (3) Compel local government extra-budgetary funds to be invested in locally serviced "bottleneck" industries such as raw and processed materials industries and energy industries. Local government reliance on investment by the central government to solve problems in local "bottleneck" industries while themselves pursuing their own interests and vying to invest in processing industries from which short-term returns are high, is to be eliminated. In short, reform should enable local government finances to become independent, close the back door of local government extra-budgetary spending, and firm up local government budget restrictions, thereby enabling those local governments whose investment is currently most volatile to shape a self-limiting mechanism for the fundamental elimination of extra-budgetary inflation of investment.

IV. Deepening of Reform and Increase in Supply To Eradicate Cost-Driven and Structural Inflation

If one says that the fundamental way in which to eliminate demand-led inflation lies in the deepening of reform and perfection of macroeconomic means of regulation and control, then elimination of cost-driven inflation and structural inflation requires a deepening of reform, improvement of labor productivity rates, and formulation of a correct industrial policy.

The analysis provided above shows two fundamental causes of China's cost-driven inflation as follows: First is the skewed structure of industry that results in a serious insufficiency of agricultural and sideline products, and a serious shortage of raw and processed materials, and energy. The second is the low labor productivity rate in enterprises. The fundamental reasons for structural inflation lie in the skewed structure of industry, and too

great an excess of some goods and too great a shortage of others. This is to say that the reason underlying both cost-driven inflation and structural inflation is insufficiency of supply both in terms of total amounts and make-up. Therefore, sole reliance or control of demand as a means of controlling this kind of inflation will not only not produce the anticipated results, but will frequently lead to economic "stagflation." This has already been demonstrated in western countries. On the other hand, stimulation of increases in productivity, accelerated readjustment of the economic structure, and increase in effective supply as means of eliminating inflation are being given increasingly serious attention in western countries. In a developing country such as China, it is even more important to start with supply rather than the simple method of rigorous suppression of demand, which some people vigorously advocate, in order to improve the correlation between supply and demand. The "double tight" policy that China formally inaugurated in 1988 has yet to move beyond an action strategy of simple improvement of supply and demand relationships. This is bound to engender risky consequences for economic growth, will not help increase effective supply, and may ultimately result in a worsening of the correlation between supply and demand and an intensification of inflation.

Thus, the main point for the elimination of both cost-driven inflation and structural inflation is the need to begin with an expansion of supply. Specific ways of doing this are as follows:

(1) Deepening of reform and improvement of market operating mechanisms, particularly improvement of the market price mechanism, the interest rate mechanism, and the risk and bankruptcy merger mechanisms may be used as a basis for doing the following: (1) Quickest possible formulation of a rational industrial structure policy to correct the serious distortions in the industrial structure, and place agriculture in a strategic position in order to hasten the development of raw and processed materials industries, and the energy industry. This can be used as a basis for upgrading the industrial structure. (2) Formulation of rational industrial organizational policies that make fullest use of the "economies of scale" for the building of a large number of socialized production systems, thereby improving the overall performance of industry. (3) Formulation of rational regional economic policies that make fullest use of "accumulated benefits" produced by the relative concentration of production. In summary, this means the formulation of a rational economic structure, and optimized resources allocation premised on the fullest use of market mechanisms to promote an increase in effective supply.

(2) Promotion of reform of the ownership system, spelling out property rights relationships, perfecting enterprises' internal operating mechanisms, improving management in enterprises, and strengthening enterprises' replacement of equipment and technical transformation

in an effort to move ahead in improving the social labor productivity rate, then going on to spur an expansion of supply for the complete elimination of inflation.

PROVINCIAL

Gansu Party Secretary Li Ziqi on 'Deteriorating' Social Order

HK0303044889 Lanzhou Gansu Provincial Service
in Mandarin 0000 GMT 3 Mar 89

[Text] The situation in social order is deteriorating in the province. This has evoked strong repercussions among deputies participating in the second session of the seventh provincial people's congress and delegates participating in the second session of the sixth CPPCC provincial committee. The situation has also drawn the close attention of the provincial leadership, public security department, procuratorate, and court.

Yesterday afternoon, to discuss the issue of social order and to work out specific measures to deal with the situation, some provincial leaders attended an unofficial discussion meeting, together with some deputies who were participating in the second session of the seventh provincial people's congress and some delegates who were participating in the second session of the sixth CPPCC provincial committee. Many participants spoke during the meeting and the atmosphere was very lively.

A deputy to the provincial people's congress said: It is high time for us to deal with the social order issue in this province before it is too late!

(?Wu Wenhan), a member to the CPPCC provincial committee, noted: Social order means public security. If we continue to ignore social order, there will be no public security in this province. If we pay little attention to social order, public security will improve little. If we make unremittingly efforts to rectify social order, the community will enjoy perpetual stability. There is no denying that the poor equipment available to our public security organs is a factor contributing to the deterioration of social order. But the work style of the public security organs and the quality of their staff are the decisive factors. In addition, our public security setups must be reformed. If public security organs do not take measures strong enough to rectify social order, the consequence may be even worse than a laissez-faire policy.

(?Li Xiangzhong), a deputy to the provincial people's congress said: Now we can see a bad practice—although our public security organs, procuratorates, and courts have acknowledged the seriousness of some cases, they have never assumed a serious attitude and taken any effective measures to deal with these cases.

During the meeting, deputy (?Wang Xingming), deputy (?Zhang Ruyuan), CPPCC member (?Yuan Yirui), CPPCC member (?Li Hao), and deputy Liu Lanting warned of the deteriorating situation in social order by

enumerating some typical cases and statistics. They suggested that the provincial authorities should be determined to rectify social order in all sectors, and that governments and organizations at all levels should go into action to carry out the operation through to the end.

Provincial party committee secretary Li Ziqi spoke at the meeting. He said: The opinions presented by people's congress deputies and CPPCC provincial committee members are all to the point. If we continue to overlook the social order issue, it may cause widespread and strong discontent among the public and thus adversely affect economic development in our province. For this reason, our party committees and political and legal organs at all levels should attach still greater importance to social order. It is necessary to encourage the broad masses to plunge into the struggle against criminals.

Li Ziqi urged public security departments, procuratorates, and courts to take prompt action according to law to handle major and serious cases that occurred recently. As far as these cases are concerned, it is necessary to implement the principle of severity and promptness.

Present at the unofficial discussion meeting were provincial leaders and some old comrades, including Xu Feiqing, Jia Zhijie, Ge Shiyang, Lu Kejian, Li Dengying, Wang Zhanchang, Liu Bing, Xing Anming, Yang Fuxing, Li Fusheng, Li Wenhui, Mu Yongji, Ma Zuling, (?Wang Yaohua), Liu Lanting, Chen Xu, and (?Li Qiyang). President of the provincial higher people's court Qin Bing; acting chief procurator of the provincial people's procuratorate (?Du Zhengde), and responsible persons of provincial and city public security organs, procuratorates, and courts also attended the meeting.

Inflation Problems Mount in Guangdong

HK0303022089 Beijing CHINA DAILY in English
3 Mar 89 p 2

[By staff reporter Wu Caibin]

[Text] Guangzhou—Inflation, which reached 30.2 percent in 1988—the highest level since 1949, is among the greatest problems facing Guangdong, the province's governor said yesterday.

Governor Ye Xuanping made his statement in a report on the work of the provincial government at the opening of the second session of the seventh provincial People's Congress in Guangzhou.

In his report reviewing the province's achievements last year in implementing the strategies of economic development for coastal regions and opening wider to the outside world, Ye told deputies attending the congress that the province's total social output value reached 225.08 billion yuan, a 25.4 percent increase over 1987.

The total output value of industry and agriculture reached 175.54 billion yuan, a 29.6 percent increase; total national production value was 111.54 billion yuan, a 16.2 increase; national income was up to 87.84 billion, up 16.9 percent; while financial income reached 10.46 billion, a 13.5 percent increase.

But he pointed out that, due to the rising prices, people's living standards have been adversely affected. Real incomes of farmers only increased by 2.7 percent, whereas real incomes of city residents dropped by 7.7 percent.

There were several reasons for the steep price rises, he said, including overheated economic growth, excessive investment in fixed assets, the enormous purchasing power of institutions and individuals and rapid acceleration of industrial production, particularly in processing.

The main tasks of the provincial government in the coming year, he said, will be restoring order in the economy, pursuing the reforms in a comprehensive way, developing the economy steadily and trying to keep price rises below the 1987 rate.

He stressed the importance of strengthening the macro-economic controls to boost agricultural production and increase supplies.

He said that, as the natural population increase within the province and the number of people from other countries and provinces rose each year, the demand for grain would intensify, widening the gap between supply and demand.

From 1978 to 1988, the province's grain output increased by 12.7 percent but grain consumption increased by 36.4 percent, he said.

He said several measures must be taken to ensure good harvests this coming year, including prohibitions on misuse of farmland to ensure that no less than 37.6 million hectares are sown with grain.

He said other measures include developing the production of dry food and herbage to expand the sources of grain and fodder, reclaiming land from sea if possible and strengthening the management of the responsibility system to stabilize the grain market.

Guangdong Faces 'Grave' Shortage of Funds
HK1403070989 Beijing ZHONGGUO XINWEN SHE
in Chinese 1219 GMT 10 Mar 89

[Report: "Guangdong's Fund Shortage Will Amount to 2 Billion Yuan This Year"—ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 10 Mar (ZHONGGUO XINWEN SHE)—The economic and financial situation in Guangdong will be very grave this year with the province's fund shortage estimated at 2 billion yuan.

A responsible person from the Guangdong People's Bank revealed that the following factors had led to this huge fund shortage:

First, Guangdong's GNP growth rate for this year has been planned at 8.5 percent, whereas actual industrial growth will be maintained at about 20 percent. With the addition of normal fund requirements for foreign trade and commercial purposes the province will need a credit increase of 20 billion yuan.

Second, increases in all kinds of bank deposits have dropped this year. Because the province is short of funds it is collecting money from the sale of commodities and urging the due repayment of the 1.5 billion yuan issued as loans. Enterprises will no longer be able to increase their deposits by such a wide margin as in the past. In addition, quite a number of departments and enterprises are collecting funds from society by various means, thus reducing financial resources originally available for banks.

Third, due to funds shortages in the fourth quarter of last year the approval of many reasonable fund requirements has been postponed to this year. Large amounts of funds are required for this year's purchase of sugar and fruit and for the transfer of grain from other provinces. Another huge sum is urgently required to replenish the raw material warehouses of departments under ownership by the whole people.

Furthermore, a certain amount of renminbi must be prepared for the introduction of foreign capital this year.

In this severe financial situation banks throughout Guangdong will take a series of measures to alleviate these fund contradictions. These measures include:

- Expanding fund sources, adjusting credit structure, running savings business efficiently, and providing all kinds of services, including paying wages on behalf of enterprises, opening checking accounts, credit cards, and individual foreign currency deposits.
- Strictly controlling total loan amounts and strengthening the planned management of credit and cash. They will "issue loans on quota according to the balance of deposits" and will not provide new loans for fixed assets of urban and rural collectives or individual economies.
- Rectifying the financial order and strengthening monetary management. The business network of professional banks is taking shape rationally, therefore strict control will be exercised over the examination and approval of new networks. Development banks in Guangdong are operating on a trial basis. Any plan to increase their networks must be submitted to the provincial bank for approval. Without the approval of the people's bank all trust and investment corporations and companies of a monetary nature must cease

operating and wait for further approval after examination. Fund associations of a social organizational nature are not allowed to provide deposit or loan services.

—Strengthening and improving macrocontrol over foreign exchange and foreign debts and striving to maintain a balance between income and expenditure in foreign exchange so that the limited foreign exchange facilities can be used to support agriculture, light industry, the raw materials industry, communications, transportation, the fuel industry, and other industries that help increase foreign exchange income. The scale of obtaining foreign loans will be strictly controlled.

FINANCE, BANKING

Government To Issue Treasury Bonds *OW1003151389 Beijing XINHUA in English* *1321 GMT 9 Mar 89*

[Text] Beijing, March 9 (XINHUA)—The Chinese Government announced today that it will issue 5.5 billion yuan in treasury bonds to citizens and self-employed laborers this year.

It will be the ninth issue of such bonds since 1981. The same amount of bonds was issued last year, but this year will see a rise in the rate of interest. The annual interest rate will rise from 10 to 14 percent this year.

According to decree by Premier Li Peng, the bonds will be issued from March 10 through September 30. The bonds have a face value of five, 10, 50 and 100 yuan (one yuan equals approximately 27 cents U.S.).

Adjustment Tax on Private Investors' Individual Income *OW0803044989 Beijing BEIJING REVIEW in English* *6-12 Mar 89 pp xiv-xv*

[Provisions of the State Council Concerning the Levy of the Adjustment Tax on Individual Income of Investors in Private Enterprises]

[Text] Article 1

These provisions are formulated for the purpose of adjusting the individual income of investors in private enterprises and encouraging investors to expand production.

Article 2

The salary of investors participating in the management of private enterprises is subject to the adjustment tax according to the Interim Regulations of the People's Republic of China on the Adjustment Tax on Individual Income.

Article 3

The income of investors got from the aftertax profits of private enterprises is levied or exempted from the adjustment tax on individual income according to the following provisions:

(1) The amount of money from after-tax profits used by investors as a fund for expanding production is exempted from the adjustment tax on individual income.

(2) The amount of money from after-tax profits used by investors for personal consumption is levied an adjustment tax on individual income at a tax rate of 40 percent.

(3) Those investors who in whatever way withdraw funds for expanding production or transfer assets of the enterprise for personal consumption will have the adjustment tax levied on individual income according to (2)

Article 4

The right to interpret these Provisions resides with the Ministry of Finance.

Article 5

These provisions shall go into effect from 1988.

Tax Evasion 'Nationwide Problem' *OW0903232789 Beijing XINHUA in English* *0847 GMT 7 Mar 89*

[Text] Beijing, March 7 (XINHUA)—Evading income tax is rapidly becoming a nationwide problem in China because people are not used to paying taxes and do not realize their obligations in this respect. Moreover, punishment of tax evaders is too lenient, the PEOPLE'S DAILY reported today.

The paper said that China started to levy personal income tax in January 1987. Though the taxation departments have made every effort over the past two years, this kind of revenue amounted to only 31.33 million yuan in 1987 and 114.64 million yuan in 1987, less than one thousandth of the revenue from national industrial and commercial taxes.

Though it is difficult to calculate how much tax has actually been withheld, the paper lists two examples to show severity of the problem:

There are two shops similar in scale in Xiamen City. The owner of one, a returned overseas Chinese, keeps complete accounts and pays about 1,000 yuan a month in tax. The owner of the other pays only about 100 yuan a month despite efforts of tax collectors to find out how much he earns.

The other example is Guangdong Province, which collected 13.5 million yuan in income tax in 1988. Of this, Shenzhen City alone contributed 11 million yuan. The rest of the province, which has over 100 cities and counties, handed over only 2.5 million yuan.

The paper suggested severer punishment for tax evaders and that the tax authorities should learn from the experience of Western countries in dealing with private businesses which do not keep complete accounts, that is, evaluating their income by experts and imposing tax according to the evaluation.

INDUSTRY

Iron, Steel Casting Capacity Slated To Expand *OW0303045789 Beijing XINHUA in English* 1631 GMT 2 Mar 89

[Text] Beijing, March 2 (XINHUA)—China's iron and steel industry will expand its continuous-casting capacity by 11 million tons this year, XINHUA learned here today.

An official from the metallurgical industry ministry said that the state has invested at least 100 million yuan to import technology for this purpose. Such technology can help reduce energy consumption by the industry and raise the output of rolled steel.

China's iron and steel production was seriously influenced by a shortage of energy in the first two months of this year, the official said, "so it is important for the industry to make full use of imported advanced technology and equipment."

According to statistics, China's major metallurgical plants have imported over 700 items of technology and equipment during the past 10 years.

Shanghai Increases Industrial Output *OW0503022089 Beijing XINHUA in English* 1310 GMT 4 Mar 89

[Text] Shanghai, March 4 (XINHUA)—Shanghai's total industrial output value in February was 7.441 billion yuan, an 8.5 percent increase on last year's figure, the city statistics bureau has announced.

The city's total industrial output value for the past two months reached 16.132 billion yuan, 6.5 percent more than for the same period last year.

The statistics show that the production of household appliances, such as color television sets, electric watches and fans and washing machines, has greatly increased this year.

In addition, the amount of chemical raw materials produced was double that for the same period last year. They included sulphuric acid, concentrated nitric acid and caustic soda.

The amount of chemical fertilizers produced was five times more than the figure for last year.

Because of the shortage of electricity and raw materials, textile and metallurgical production fell by 13.06 percent and 5.8 percent respectively.

CONSTRUCTION

Engineers Vote for Three Gorges Project *HK0903053789 Hong Kong SOUTH CHINA* *MORNING POST in English 10 Mar 89 p 10*

[By David Chen]

[Text] Engineering experts have approved by a majority vote the controversial Three Gorges dam, a plan that threatens the ecological balance in the Yangtse River but will provide much needed energy for the region.

Their report was published in official newspapers yesterday. Analysts said this was by no means the final word on the issue. While the report said the experts' findings would be forwarded to the State Council, its decision could not be made without the endorsement of the highest body, the Standing Committee of the party Politburo.

The recommendation for the dam was made after more than a week's heated debate by over 500 experts. And the opinion was by no means unanimous, with a sizeable minority solidly opposed to the project.

There has been a great deal of confusion surrounding the scheme. Two months before the latest debate, senior Vice-Premier Yao Yilin, who is known for his conservative approach towards China's economic planning, was said to have written off the project, at least for the next five years.

Mr Yao has since said the issue was for "internal discussion," which meant that it was not a definitive statement from the leadership.

Building the 185-metre dam would take 18 years, involve an investment of 36.11 billion yuan (HK\$75.83 billion) at 1986 prices and the resettlement of 1.13 million people who live in areas to be flooded.

The experts' report said the dam was the only way to stop serious flooding of the river, generate enormous amounts of badly-needed electricity and allow oceangoing vessels to reach cities up-river.

"Building the dam should start as soon as possible," it said, adding that doubts about whether it would cause earthquakes, landslides and damage to the environment had been resolved.

The PEOPLE'S DAILY quoted opponents within the group as saying the project was too big, investment too large and was unsuitable for China's current economic conditions, with no return on investment until the next century.

The controversy has spread beyond the realm of experts. Last week, a group of intellectuals and journalists held a news conference calling for a public debate and voicing their opposition to the project.

However, a diplomat said: "Building it is perfectly in line with current austerity policies which call for investment money to be spent on priority areas such as energy and transport."

Energy shortages in China are worsening because industry is growing faster than increases in power output, closing many factories for three or four days a week.

One newspaper report said coal stocks this year had fallen by 21 million tonnes (or nearly a fifth) from a year earlier to 107 million, the lowest level in five years.

It said the gap between demand and supply of coal in 1990 would increase to 90 million tonnes and reach 100 million by the end of the century.

And while the state is considering building more nuclear plants, lack of funds and technology, as well as possible public concern, has prevented the Government from making a comprehensive and feasible long-term plan for such projects.

Opponents of the dam pointed to the disruption to the ecological balance and the elimination of many flora and fauna species in the vast hilly region.

Migratory fowl from Siberia which for centuries have found a resting place in the Three Gorges region will be deprived of their winter lodging place.

But now that engineering experts have reached a majority decision, the matter is left in the hands of the leadership.

And analysts said that given the present state of affairs in Beijing where far more pressing problems are demanding the attention of the leadership, the Three Gorges project could remain an academic issue for several more years.

FOREIGN TRADE, INVESTMENT

Rules Designed To Control Investment Overseas, Minimize Risk

HK0603022689 Beijing CHINA DAILY in English
6 Mar 89 p 1

[By staff reporter Liu Hong]

[Text] The State Council, China's highest governing body, yesterday promulgated a set of rules aimed at minimizing risks from doing business overseas.

All Chinese ventures involved in overseas investment are subject to the regulations, which come into effect today.

They authorize the Administration of Foreign Exchange Control to investigate risks involved in intended overseas investments and the sources of the investment fund. Approval or otherwise will be based on these inquiries.

The set of rules, which contains 17 articles, aims at promoting China's foreign economic and technical cooperation, tightening the control over the country's overseas investment and achieving a balance in its international payments. But all foreign investment enterprises are excluded.

Under the rules, Chinese ventures will have to deposit 5 percent of the total capital to be invested abroad. These deposits will be put in banks designated by the administration. They will not be able to be withdrawn by the depositors until the foreign exchange they hand over to the state as profit equals the total capital they have invested overseas.

This rule became necessary because some Chinese ventures investing overseas failed to deliver to the state the interest returns from their investment undertakings, keeping the money to themselves.

China has been using its limited foreign reserves to establish assets all over the world in recent years. Between 1984 and 1987, overseas investment by Chinese ventures recorded an annual growth rate of 92.7 percent, an official explained.

In all, China has formed 526 equity or contractual joint ventures, and solely Chinese-owned undertakings abroad with assets of \$700 million.

About 20 to 30 percent of the Chinese overseas businesses were making minimal profits while 5 to 6 percent were running at a loss, according to an official from the Foreign Economic Cooperation Department under the Ministry of Foreign Economic Relations and Trade.

The full text of the regulations will be in the March 12 issue of CHINA DAILY'S BUSINESS WEEKLY.

In another development, China is planning to improve the management of its overseas construction business by putting its overseas contracting firms under an unified administration.

According to the Ministry of Foreign Economic Relations and Trade, 84 Chinese building firms, engaging in overseas construction business, obtained foreign contracts totalling \$1.83 billion last year. These firms have sent a total of 70,000 Chinese workers abroad over the past several years, and their business turnover registered a sum of \$5.82 billion.

Regulations on Foreign Exchange Control

HK1503035189 Beijing RENMIN RIBAO
in Chinese 9 Mar 89 p 6

[XINHUA report: "Measures for Foreign Exchange Control Regarding Overseas Investment"]

[Text] Beijing (XINHUA) [dateline as published]—With the approval of the State Council, the State Foreign Exchange Management Bureau issued the "Measures for Foreign Exchange Control Regarding Overseas Investment" on 6 March. The full text is as follows:

Article one These measures are formulated to promote foreign economic and technological cooperation, strengthen management over foreign exchange regarding investment abroad, and maintain a balance of international payments.

Article two Investment abroad mentioned here refers to companies, enterprises, or other economic organizations (not including foreign invested enterprises) registered in China which have engaged in production and operation abroad by setting up all kinds of enterprises or becoming shareholders (hereinafter invested enterprises abroad).

These measures apply to foreign exchange matters in investment abroad.

Article three Before submitting applications to invest abroad to the state competent departments, a company, enterprise, or economic organization which plans to invest abroad should provide the foreign exchange management department with information concerning foreign exchange management of the relevant country (region) where the investment will be made and submit evidence of the source of foreign exchange capital. The foreign exchange management department shall be responsible for examining investment risks and sources of foreign exchange capital, and presenting a written statement within 30 days.

Article four The companies, enterprises, or other economic organizations (hereinafter inland investors) permitted to invest abroad should hold the following while registering at the foreign exchange management department and handling the procedures of foreign exchange remittance:

1. Documents ratified by the state competent departments;
2. Written statement by the foreign exchange management department on investment risks and source of foreign exchange capital; and
3. Investment contract or other documents indicating the amount of foreign exchange capital to be remitted by the inland investor.

While going through the formalities of registration and remittance of foreign exchange regarding investment abroad, the foreign exchange management department should reexamine the source of foreign exchange capital of the inland investors.

Article five While registering with the relevant department, the inland investor should deposit a repatriated profit guarantee fund (hereinafter guarantee fund) equivalent to 5 percent of the foreign exchange capital remitted. The guarantee fund should be deposited into a special bank account specified by the foreign exchange management department. When the accumulation of the repatriated profits reach the total amount of foreign exchange capital remitted, the guarantee fund will be refunded. The interest rate on the guarantee fund deposit will be paid according to the state's stipulations to the inland investors.

If the inland investors have difficulties in paying the guarantee fund, they may submit a written statement to the foreign exchange management department promising that the invested enterprises abroad will remit their profits or other foreign exchange incomes on time.

Article six The profits from investment abroad or other foreign exchange incomes of inland investors should be remitted 6 months after the end of the local fiscal year and be converted or retained in foreign exchange. The profits and other foreign exchange incomes may not be misappropriated or deposited abroad without the approval of the foreign exchange management department.

Article seven The profits or other foreign exchange incomes of inland investors from invested enterprises abroad attained within 5 years of the establishment of the enterprises may be totally retained. The amount of profits or other incomes made 5 years after the establishment of the enterprises shall be retained according to the stipulations of the state.

Article eight In light of the operational needs, the invested enterprises abroad may pool capital by themselves. Without approval of the foreign exchange management department, however, the inland investors may not offer guarantees by any means.

Article nine The annual statistical reports including assets and liabilities statements and profit and loss statements of the invested enterprises abroad should be submitted by the inland investors to the foreign exchange management department within 6 months after the end of the local fiscal year.

Article ten The inland investors should first submit a statement of the changes in capital made by the invested enterprises abroad to the former examination and approval department for approval and then report to the foreign exchange department for the record.

Article eleven If the inland investors intend to transfer the shares of their invested enterprises abroad, they should first submit a report of share transfer to the foreign exchange department and remit the foreign exchange incomes within 30 days after the transaction.

Article twelve If the invested enterprises abroad suspend production or disband according to the laws of the relevant country (region), the inland investors should recall the foreign exchange assets and not misappropriate or deposit them abroad.

Article thirteen When the invested enterprises abroad have not remitted their profits or other foreign exchange incomes according to the profit plan, the inland investors should submit to the foreign exchange management department a report stating the economic losses or the failure in fulfilling the profit plan on schedule. If they do not have proper reasons, the foreign exchange department may sell a proportion of foreign exchange from their guarantee fund to the state. Those who have not opened a guarantee fund account, a relevant amount will be deducted from the foreign exchange retained by the inland investors and be turned over to the state. However, the total amount deducted should not exceed 20 percent of the foreign exchange capital remitted.

Article fourteen Regarding those who violate the stipulations specified in Articles Six, Eleven, and Twelve, the foreign exchange management department should order the inland investors to recall the invested enterprises abroad within a stated time and impose a fine of 10 to 20 percent from the foreign exchange capital recalled.

Regarding those who have seriously violated the stipulations specified in Articles Nine and Ten, the foreign exchange management department should impose a fine not exceeding 100,000 yuan on the inland investors.

Those who have violated the stipulations of other articles should be handled according to the "Regulations for Meting Out Punishment Against Those Who Violate Foreign Exchange Management."

Article fifteen Regarding the invested enterprises abroad established prior to the implementation of these measures, the inland investors should submit relevant materials and register with the foreign exchange management

department according to the relevant stipulations of these measures within 60 days after the promulgation and remit the foreign exchange incomes in light of the stipulations.

Article sixteen The State Foreign Exchange Bureau shall be responsible for the interpretation of these measures.

Article seventeen These measures come into force upon promulgation.

Commission Adjusts Tariffs on Imported Refrigerators

*OW1603225889 Beijing XINHUA in English
1503 GMT 16 Mar 89*

[Text] Shenzhen, March 16 (XINHUA)—The Customs Tariff Commission under the State Council adjusted its import tariffs on refrigerators and refrigerative equipment today.

The adjustment is aimed at controlling the introduction of large-capacity refrigerative equipment, including refrigerators, to limit unduly high consumption.

The preferential tax rate on refrigerative equipment cooling to below minus 40 degrees centigrade is now 40 per cent, while the ordinary tax rate on the same item is 50 per cent.

The preferential rate on equipment cooling to less than minus 40 degrees centigrade and with a capacity of more than 500 litres is 80 per cent, while the ordinary rate is 100 per cent.

The preferential rate applies to foreign countries and regions that have signed mutually preferential tariff treaties with China. Other countries pay the ordinary rate.

Official on 'Additional Measures' To Reinforce Trademark Protection

*OW1103192989 Beijing XINHUA in English
1440 GMT 11 Mar 89*

[Text] Beijing, March 11 (XINHUA)—China has announced it will take additional measures to curb the practice of selling goods bearing fake trademarks.

Gan Guopin, deputy chief of the State Administration for Industry and Commerce (SAIC), told a press conference today that illegal activities involving trademarks have increased in the country in recent years.

He did not specify what additional measures will be taken to end the practice.

Trademark infractions include the use of fake trademarks on bogus products and the illegal printing and sale of fake labels. Trademarks of famous liquors, soft drinks, household appliances, clothes, and cosmetics are frequently imitated, he said.

The fakery has damaged consumers' interests as well as the reputation of the famous brands, the deputy chief said.

Statistics from SAIC showed that 3,848 cases of this kind were handled last year in Henan, Zhejiang, Sichuan, and Anhui provinces and Beijing municipality, with half of the cases involving liquors.

The Pingzhou Refrigerator Factory in Nanhai County, Guangdong Province, "sold" its exclusive trademark to 15 other enterprises for 3.5 million yuan (one yuan equalling approximately 27 cents U.S. dollars) but did nothing to supervise the product quality of the 15 factories. As a result, 190,000 badly made refrigerators using the name were put on the market.

SAIC authorities recently revoked the factory's business licence and dropped its "Rizhi" trademark from its registration list.

Five Shenzhen companies have also been fined more than 660,000 yuan for selling fake IBM computers.

Foreign Investors Urged To Honor Contracts
HK0503080689 Beijing ZHONGGUO XINWEN SHE
in Chinese 0707 GMT 3 Mar 89

[Reporter by Reporter Zhan Moujun 6124 6180 0193: "Shenzhen Urges Foreign Investors To Contribute Funds According to Contracts"—ZHONGGUO XINWEN SHE headline]

[Text] Shenzhen 3 Mar (ZHONGGUO XINWEN SHE)—Liu Zixian, chief of the Shenzhen Foreign Fund Office under the Industrial and Commercial Bureau, said when he gave an interview to this reporter today that there are 1,338 exclusively foreign-owned enterprises, joint ventures, and cooperative enterprises in Shenzhen with the registered capital topping 7.39 billion yuan, but an investigation last year, which lasted 5 months, shows the real input registers only 2.61 billion yuan, accounting for 35.4 percent of the total registered capital.

He went on to say there are only 431 joint ventures or cooperative enterprises in which both parties have invested capital as required by the contracts, accounting for 32.2 percent of the enterprises investigated; and there are 776 enterprises in which less-than-required funds have been invested, constituting 58 percent of the total enterprises inquired into.

In light of the failure by both parties of joint ventures or cooperative enterprises to contribute funds as required, the industrial and commercial department has worked out measures in an effort to solve the problems. For example, the department has committed 138 foreign-funded enterprises to contribute the balance to the tune of 480 million yuan, and another 30 enterprises to revise the terms in their contracts related to the time limit of contributing capital. It has also disposed of 86 enterprises which failed to extend the time limit for their operation or went under on their own.

Since last winter the Foreign Fund Office under the Industrial and Commercial Bureau has fed into computers such materials as capital input and investment tenure, and committed, according to the information provided by the computer, those enterprises which failed to contribute funds in time to act. It has also treated those who failed to respond as breaking the contracts, and even suspended their operation or revoked their licenses.

However, Chief of the Foreign Fund Office Liu Zixian pointed out, it is necessary to deal with particular cases in light of specific conditions rather than treating them indiscriminately. For example, we allow those foreign-funded enterprises to continue their operation and refrain from finding out who is to blame when they fail to contribute funds as required not out of taking advantage of the loopholes on purpose but because of setting up their business to excess. We also allow those to carry on their business who have ensured the normal operation of their enterprises even though they fail to contribute enough funds as needed.

Exports by Joint-Venture Enterprises Rise in 1988
OW1503183389 Beijing XINHUA Domestic Service
in Chinese 1249 GMT 8 Mar 89

[From Local Broadcast News Service]

[Text] Beijing, 8 Mar (XINHUA)—According to the latest figures supplied by the Chinese customs, Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and wholly-owned enterprises exported goods worth U.S.\$2,416,000,000 in 1988, registering an increase of over 70 percent.

About half the exports were machinery and electrical products, and a quarter of them were textiles and garments. Other major export items included video cassette recorders, stereo sets, electric fans, calculators, clocks, watches, jewelry, toys, and shoes. The export goods manufacturers are concentrated in the coastal regions; Guangdong Province accounted for about 80 percent of export manufacturing, while Fujian Province about 10 percent. Exports of Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and wholly-owned enterprises in the four special economic zones of Shenzhen, Zhuhai, Shantou, and Xiamen amounted to U.S.\$1,020,000,000 in 1988, accounting for 42 percent

of all the exports by enterprises, either partially or wholly foreign-owned. Most of the goods were exported to Hong Kong, followed by Japan and the United States.

According to figures supplied by the Ministry of Foreign Economic Relations and Trade, at the end of 1988, the Chinese Government had approved 16,000 applications for setting up Sino-foreign joint ventures, Sino-foreign cooperative enterprises, or wholly-owned enterprises; of which about 7,000 had already begun operation.

Beijing Approves More Joint Ventures

*HK1603094389 Beijing CEI Database
in English 16 Mar 89*

[Text] Beijing (CEI)—Beijing approved in the first two months of the year the setting up of 27 foreign-funded ventures, 2.5 times that of the same period last year. Contract investments total 45.33 million U.S. dollars, of which foreign investment amounts to 19.84 million U.S. dollars.

Of these ventures, 22 are joint ventures, one cooperative venture, and four solely foreign-funded ventures. Twenty-five of them, or 92 percent, are productive ventures.

By the end of February, Beijing Municipal Authorities had approved a total of 436 foreign-funded ventures. Contract investments total 3.878 billion U.S. dollars, of which 1.816 billion U.S. dollars is direct foreign investment.

Taiwan Business Investment Increases in Fuzhou

*HK1703134789 Beijing ZHONGGUO XINWEN SHE
in Chinese 1023 GMT 14 Mar 89*

[Report: "Enthusiasm of Taiwan Businessmen to Invest in Fuzhou Upsurges"—ZHONGGUO XINWEN SHE Headline]

[Text] Fuzhou, 14 Mar [ZHONGGUO XINWEN SHE]—The constant improvement of the investment environment in Fuzhou City has aroused the increasing enthusiasm of Taiwan businessmen to invest in the city. At present, the city has approved 53 enterprises using Taiwan investment, in which 51 are productive investment projects. The situation shows that more and more Taiwan businessmen are willing to invest in projects with large investment, high risks, and a longer cycle of recovery, hoping to gain higher economic results.

It was reported that last year, the city approved 41 enterprises using Taiwan investment, with an investment amount of over \$19 million. The businesses that Taiwan businessmen invested in involve real estate development, shoe-making, plastics, handicrafts, spinning, the chemical industry, medicines, machinery, and so on.

According to information from the Fuzhou City Commission of Foreign Economic Relations and Trade, most of the equipment and technology brought by Taiwan businessmen investing in Fuzhou meet the needs for the economic development of the City. This equipment and technology are also more reasonably priced and are therefore more popular.

At present, most Taiwan businessmen investing in Fuzhou adopt sole proprietorship as the form of investment. They think that sole proprietorships are less restricted by the Mainland's existing management system, and the economic results are higher.

Most Taiwan businessmen invest in Fuzhou through agents, and their funds are remitted through a third place or region into the PRC.

The relevant departments in Fuzhou showed that they will try their best to enhance the operation of enterprises using Taiwan investment, and will devote great efforts to further strengthen the construction of energy, transport, communications, and other infrastructure projects. These are done to perfect the investment environment to enhance the enthusiasm of Taiwan businessmen to invest in Fuzhou.

Jiangxi Develops Technical Exports

*OW0303045589 Beijing XINHUA in English
1526 GMT 2 Mar 89*

[Text] Nanchang, March 2 (XINHUA)—Jiangxi Province, in Southeast China, has started to export technical products by holding a conference on foreign economic trade and technical co-operation in the capital city of nanchang.

Deputy-Governor Zhang Fengyu said that Jiangxi must develop its export business instead of doing import business alone if it wants to promote its export-oriented economy.

He said that the one-way trade has made many advanced achievements of the province unknown to the outside world, such as the traditional technique of making China and pottery products and the development and utilization of red soil in the sub-tropical zone.

The conference offers foreign businessmen a choice of 130 technical and trade projects, of which 69 percent aimed at the export market.

The projects involve a dozen export-oriented industries including mining, building material, machinery, electronics and textiles.

In the past decade, the province has imported 353 items of technology and equipment from Japan, Italy and Hong Kong, worth a total value of 233 million U.S. dollars.

Xinjiang Production Corps Boosts Exports
OW1103190289 Beijing XINHUA in English
1035 GMT 11 Mar 89

[Text] Urumqi, March 11 (XINHUA)—The Xinjiang Production and Construction Corps, China's largest state farm complex, has achieved good results in developing the local export-oriented economy in recent years, an official reported today at a meeting on the corps' planning.

By the end of last year the production corps had signed 50 contracts involving 70 million yuan, and exported 3,851 tons of goods, up from 2,305 tons last year.

The corps was set up by 100,000 demobilized soldiers of the Chinese People's Liberation Army in 1954 to protect and develop Xinjiang, China's largest border area.

Cotton, cotton yarn, and cotton cloth are the main products the corps makes for export. Last year it exported 60,000 tons of cotton, accounting for 60 percent of the total production.

In recent years the corps has used foreign funds to introduce advanced technology and equipment.

The Shihezi Fayi Knitting Factory introduced advanced technology from abroad to develop 60 kinds of products, which it exports to the Soviet Union, earning 375,000 yuan a year.

Now its products are exported to the Soviet Union, Pakistan, and Hong Kong.

To help it extend and build centers for commodity exports, and reclaim wasteland, the World Bank has provided 400 million yuan in loans to the corps.

The corps has also paid attention to the development of labor services abroad and opening new markets in foreign countries.

ECONOMIC ZONES

Improvement Urged in Hainan Investment Environment

HK0303071489 Beijing ZHONGGUO XINWEN SHE in Chinese 0456 GMT 1 Mar 89

["Roundup: Hainan Government and People Concerned About Improving 'Soft' Environment for Investment"—ZHONGGUO XINWEN SHE headline]

[Text] Haikou, 1 Mar (ZHONGGUO XINWEN SHE)—Public opinion here stresses: Hainan should step up efforts to improve its "soft" environment for investment.

Following its establishment, Hainan Province has given priority to infrastructure construction in energy, transportation, telecommunications, and water resources. A new power generating unit with a capacity of 150,000 kilowatts went into operation last year, meeting on the whole the demand for power in industrial and agricultural production as well as people's daily life. Haikou has direct telephone service to Hong Kong, Beijing, Guangzhou, and other places; mobile telephones are expected to have been installed at the end of the year; seven ports are being constructed throughout the province; and reconstruction of the airport is under way. To be objective, there has indeed been a marked improvement in Hainan's "hard" environment for investment.

By comparison, the improvement in the "soft" environment for investment seems less significant. One argument says: A poor "soft" environment has become a major barrier affecting the absorption of investment from outside the island and therefore, improving the "software" is a task of top priority for Hainan in bettering its investment environment.

The topics frequently discussed by people in various sectors of society here are as follows:

First, legislation should be accelerated. Recently, a deputy director of the province's Judicial Department appealed loudly: Hainan's legislation work has progressed too slowly. Foreign businessmen have many difficulties investing in Hainan as they fail to see our many concrete preferential conditions. They mainly trust our laws and not our policies. People in economic circles from overseas and Hong Kong, Macao, and Taiwan contacted by this reporter expressed doubts mostly about the legal system. Particularly Taiwan businessmen feel that once legal disputes occur, it will cause them a more problems than Hong Kong or foreign businessmen engaged in lawsuits. Recently, Xu Shijie once again stressed: "It is necessary to create a sound environment for the legal system." It has been reported that Hainan Province's "Foreign Investment Law," "Company Law," "Land Administration Law," "Exit-Entry Control Law," and "Foreign Exchange Control Law" have undergone repeated deliberations and they are expected to be promulgated in the near future.

Second, severe measures should be taken to rectify social order. Although unified combat-crime activities have been launched three times, the province's incidence of crimes, such as robbery and theft, remains high. Cases of heinous crimes can be heard now and then. Xu Shijie said: "It is imperative to improve public order so that investors and tourists will feel at ease." In "improving public order in a comprehensive way," raising the quality of the personnel of public security organs, procuratorial organs, and people's courts is universally held by local people as the important link.

Third, service trades must be speedily strengthened. According to some experts, Hainan should vigorously develop service trades of all types. In addition to services in the ordinary sense, such as hotels, restaurants, and tourist guides, which have begun to take shape in Hainan, they also referred to services of a higher level, such as insurance, consultancy, designing, lending, attorneys, accounting, travel agency, and foreign trade agency. If these service trades striving for high efficiency are developed, this will greatly help increase the initiative of Hainan society and make the island more appealing to outside capital.

Shenzhen To Invest in Communications
OW0303202889 Beijing XINHUA in English
1442 GMT 2 Mar 89

[Text] Shenzhen, March 2 (XINHUA)—The Shenzhen Special Economic Zone will invest 800 million yuan this year in 40 projects aimed at improving the city's transportation, and posts and telecommunications.

This will be the biggest sum ever used in this respect in Shenzhen, an official from the municipal government said today.

According to him, these projects involve adding 750 long-distance telephone lines, setting up 13 new post offices, building new highways and improving public transportation facilities.

Xiamen Offers Port Service to Foreign Investors
OW0103120589 Beijing XINHUA in English
0710 GMT 1 Mar 89

[Text] Beijing, March 1 (XINHUA)—Foreign businessmen are welcome to invest in or start port transport services in Xiamen, a port city in east China's Fujian Province, said Zhu Yayan, deputy mayor of the city.

Zhu made the remark at a working meeting on transportation held Monday. He said that foreign participation could help develop the city's export-oriented economy.

Last year, as foreign economic and trade activities increased, many goods piled up in warehouses because of a lack of docks, containers, cargo vessels, and goods vans.

Zhu said that this year the city government would work out preferential terms to encourage foreign investors to help build port facilities or start services.

The city government will also invite experienced overseas entrepreneurs to manage port enterprises in the city while letting foreign investors manage some 1,000 dwt docks in the city by themselves.

He said businessmen from the Chinese mainland are also welcome to develop port transport services in the city.

In addition, Xiamen will introduce experience from Singapore and Hong Kong to raise its level of port management, he said.

According to him, the city has already built one 3,000 dwt harbor, and several shipping companies and container fleets with foreign investment.

LABOR

'New Powers' for Trade Unionists
OW0803084089 Beijing XINHUA in English
0917 GMT 6 Mar 89

[Text] Beijing, March 6 (XINHUA)—China is bringing in sweeping new powers for trade unionists to take a greater part in running the nation, according to today's CHINA DAILY.

A law that has been 10 years in the drafting and which is to go before the National People's Congress [NPC] later this month, grants unions a role in national and local economic and social development. It also gives the All-China Federation of Trade Unions [ACFTU] the right to propose laws for legislation.

The new "Law of Trade Unions" has been drafted by the federation on the basis of a trade unions law adopted in June 1950.

While waiting to be considered by the NPC, the ideas it puts forward are to be tried out in 10 national industrial centers.

The recent speeding up in preparations for the new law owed much to the fact that the Government had drawn lessons from the current trade union movements in Poland and other socialist countries, the paper quoted Chen Yu, chairman of the federation's Law Advisory Committee as saying.

In China itself, there are 93 million trade union members out of a total workforce of 130 million and rumblings of discontent have been surfacing in disputes between workers and managers.

The stability of society was being affected by such disputes which had been triggered by the current economic reform, the paper quoted Ni Zhifu, president of the federation as saying.

Their center lay in what was seen as the unfair distribution of wages and bonuses between the managers and workers. Strikes in enterprises had been directly related to this and neglect of workers' interests.

A recent national survey had revealed that most workers in 17 major regions were not enthusiastic enough about their work.

When asked why, they complained of neglect of their rights and interests by enterprise managers and directors and unfair distributions of wages and bonuses.

Another major concern for the Government is that with rising inflation, the number of unemployed will increase because of cuts in capital construction, failing businesses, and changing labor structures.

Last year, there were 3 million urban people out of work, an unemployment rate of 2.1 percent. This figure is expected to go up with the current austerity policies and the federation estimates that in the construction industry alone, 8 million workers could be looking for jobs.

In spite of all the problems, the new draft law makes no mention of strikes. Ni dismissed them as something "more likely to complicate rather than resolve problems."

Instead, the president calls on the trade unions to solve problems by helping to coordinate social interests, legislation, and the forming of important policies.

But Chen warned that there was still resentment over the idea of expansion in union powers. Drafting the legislation had taken so long because some officials feared it might make the trade unions too powerful.

Chen said that since the first law on trade unions went into effect, they had gradually degenerated into humble dependents of enterprise management and government departments.

But now more and more government officials were coming to realize the importance of independent and capable trade unions.

Helping to make the country's first labour law will be a long and important task for trade unions if they are allowed to have a role in the legislation process, said Bian Jingzhai, chief of the Law Research Office at the federation.

They would first work on laws to deal with pay, working hours, health and safety, and social security. This would be the beginning of the framework for the trade union law.

Plight of Rural Workers

*HK1403024089 Beijing CHINA DAILY in English
14 Mar 89 p 4*

[Text] Chinese farmers, long regarded as a burden on society, are now the linchpins in many urban industrial enterprises.

In Bao'an County, Guangdong Province, neighbouring the Shenzhen Special Economic Zone, more than 700 managers and 1,500 leading members of staff in county enterprises are migrants from the countryside.

They poured into the cities in their thousands following the establishment of the contract responsibility system in the countryside—a move which led to many of them losing their jobs—and they are now playing a vital role in the modernization of those cities.

In major cities such as Beijing and Shanghai, housemaids, tailors and vegetable traders have emerged from the ranks of these former farmers to meet the demands of urban consumers.

It is estimated that 95 percent of the floating population nationwide are farmers, scattered in towns and cities throughout the nation and engaged in transportation, business or contractual work in factories.

But some problems have arisen as a result of the great cultural barrier which still exists between city and rural life. Many rural people have begun to return to the countryside.

Statistics quoted in FARMERS' DAILY say the number of housemaids from Anhui Province living in Beijing and Shanghai has dropped from 20,000 before 1986 to between 3,000 and 4,000 today.

Anhui Province is the major supplier of housemaids to these two cities. But many of the young women approaching marriageable age find they cannot entirely break free from the shackles of rural life. They cannot get permission to stay in the cities permanently so they are forced to return home to marry.

Such circumstances have often presented difficulties for decision-makers in Bao'an County, for example, which has about 180,000 women workers from rural areas.

In order to keep its core labour force, the county's decision-makers have adopted a policy to maintain the "backbone" workers of the enterprises and rotate the rest.

Each enterprise is allotted money to build homes for workers who are deemed indispensable, and these workers are also given help in finding partners.

Thus, the enterprises are able not only to maintain their labour strength but also promote competition among workers.

Such a step is no doubt bold and rare in this country, but it has significantly narrowed the gap between cities and farmland where, for decades, the agricultural labour force had been strictly regulated.

Although 80 percent of the population in China is rural, it is not productive in proportion to its size.

In December, FARMERS' DAILY said deregulation of the movement of surplus agricultural workers was a must for the country's modernization drive.

But the government's current austerity policy—adopted to curb an overheated economy—has led to the closure of many enterprises. Building projects have been suspended at a time when a growing number of farmers are swarming into the cities, especially those on the coast.

These job-hunters—robbed of the chance to undertake construction work—gather at railway stations, bus stops and in front of buildings and have little to do but wander around aimlessly.

China must move to free more hands from the harsh rural life and channel them into industries such as transportation and energy as a means of dealing with the surplus supply of rural labourers in the cities.

December Labor Productivity Charted
HK1303115389 Beijing CEI Database
in English 13 Mar 89

[Text] Beijing (CEI)—Following is a chart of labour productivity of state-owned enterprises with independent accounting in December, 1988, according to CSICSC.

	Unit	12/88	12/87
Industry	yuan/person	1619	1528
Including:			
Light industry	yuan/person	2092	2015
Heavy industry	yuan/person	1374	1245

POPULATION

Male, Female Populations Growing 'Out of Proportion'

OW0503113489 Beijing XINHUA in English
0930 GMT 5 Mar 89

[Text] Beijing, March 5 (XINHUA)—China's male and female population has grown out of proportion, the country's top woman leader said in a recent interview with a magazine PARTY CONSTRUCTION.

Chen Muhua, president of the All-China Women's Federation, said that the female population accounts for 48.9 percent of the national total while the male, 51.1 percent. This means that tens of millions of men of marriage age will not be able to find their wives in the future.

Chen, also vice-chairman of the National People's Congress [NPC] Standing Committee, said that this was a serious social problem, yet just a few people have realized this.

Speaking of women's participation in state affairs and their employment and education, she said that the number is declining. Female NPC deputies only make up 21 percent of the total and female members of NPC Standing Committee, only nine percent.

She said women officials are difficult to find either in central government or in local governments. In a word, Chen said, women's present social position is lower than what they should have held in a country with a population of one billion.

Giving birth to a baby is not the matter of the women only. In fact, it is her social responsibility, she said, adding that women should be understood and supported by the whole society.

Chen urged women organizations to cry for women's rights and interests.

Population Growth Slows 'Slightly'

HK0903015689 Beijing CHINA DAILY in English
9 Mar 89 p 1

[By staff reporter]

[Text] China's rapid population growth, a major problem in the country's drive for modernization, slowed slightly last year, the State Statistical Bureau announced yesterday.

But the bureau warned of a potential new baby boom, particularly in rural areas.

A bureau survey of 505,800 people in 614 counties, cities and prefectures early this year showed that China's population totalled approximately 1.1 billion at the end of 1988, 15.14 million persons more than year before.

According to the bureau, last year's birth rate was 20.78 per thousand while the death rate was 6.58 per thousand, resulting in a natural population growth rate of 14.20 per thousand.

Compared with 1987, last year's birth rate declined by 0.26 per thousand, the death rate fell by 0.07 per thousand and natural population growth rate was down by 0.19 per thousand.

The bureau attributed the decline in the population growth rate mainly to a smaller number of women in the child-bearing years and stricter birth control policies.

Although the number of women of fertile age increased by 7 million, the number of women between the ages of 21 and 29 was lower than the previous year and the figure for women between the ages of 21 and 24 was even smaller.

Birth Rate Expected To Rise Again
OW1203123589 Beijing XINHUA in English
0731 GMT 12 Mar 89

[Text] Beijing, March 12 (XINHUA)—The number of Chinese women at birth-giving age will increase by about five million annually between 1989 and 1992 and this may cause a rise of birth rate, a Beijing newspaper warned today.

China is now at the third baby boom following the second one between 1963 and 1973. "The decrease of birth rate last year was only a temporary phenomenon," the ECONOMIC INFORMATION said.

The decrease, it explained, was actually a periodic thing following the second baby boom.

"We must not lower our guard," the paper said.

TRANSPORTATION

Ministry Announces Increased Funds for Railway Construction

OW0603145389 Beijing XINHUA in English
1340 GMT 6 Mar 89

[Text] Beijing, March 6 (XINHUA)—China's investment appropriated for railway construction is expected to increase four percent this year over last year, the Railways Ministry announced here today.

With a total of 53,000 kilometers of lines, Chinese railways handle 70 percent of China's total cargo and 60 percent of all passengers. With rising transportation volume, the railways have long been strained.

In a bid to improve handling capacity, China plans to speed up constructing the East China Railway Networks, and a number of major double-tracking and electrification projects this year. A total of 1,320 kilometers of new lines will have been built and put into operation by the end of 1989.

Meanwhile, the country is embarking on an ambitious program to rebuild and update several transportation hubs and railway stations, including those of Xuzhou, Shenyang, Tianjin, Shijiazhuang, Zhengzhou, Harbin, Wuhu in Anhui Province, and Bayuquan in northeast China's Yingkou City.

The electrified railways to be built this year comprise the Guiyang-Kunming, Sichuan-Guizhou, Yingtan-Xiamen and Beitongpu (Shanxi Province) lines. Moreover, 17 double-tracking projects totalling 449 kilometers will be completed this year, including the Zhejiang-Jiangxi, Shanghai-Hangzhou, Jinan-Qingdao, Harbin-Suifenhe, Xuzhou-Lianyungang and Fuyang-Huainan lines.

Shanghai Plans 20 New Berths
HK1503104389 Beijing CEI Database
in English 15 Mar 89

[Text] Shanghai (CEI)—Shanghai plans to build about 20 berths of 10,000 tons during the Eighth 5-Year Plan (1986-1990) period, according to the head of Shanghai port office.

The berths include two coal berths and two dangerous goods berths at Luoqing new port area, seven docks and six dig-in berths at Waigaoqiao new port area, and three third-generation container berths at Jinshanzui area. The scheduled Wusong International Passenger Dock will also be constructed during the period.

In addition, over 10 berths belonging to a number of stevedore companies will be rebuilt, among which the three berths at Jungong Road are to be built into 10,000-ton container berths.

The 15 10,000-ton berths scheduled to be built in the period are expected to be completed this year. The other 13 berths planned to be rebuilt are nearly completed.

AGRICULTURE

Profiteering From Chemical Fertilizers
40060285c Beijing RENMIN RIBAO in Chinese
30 Jan 89 p 1

[By Wang Jinhu 3769 6930 7711]

[Text] According to the Auditing Administration, some enterprises in the manufacturing of agricultural capital goods have seriously violated government policies and financial discipline in the distribution and trading of chemical fertilizers and pesticides. This is one of the findings of an audit on enterprises in the making of agricultural capital goods conducted by auditing agencies across the nation since last year. The audit on 3,200 enterprises and grassroots supply and marketing cooperatives in 18 provinces and municipalities including Heilongjiang, Guangdong, and Shaanxi has turned up illegal transactions worth 280 million yuan, including 63 million which should have been turned over to the finance departments above.

Chemical fertilizers are commonly siphoned off level after level in the distribution process. The audit in Fujian shows that of every 100 tons of chemical fertilizers allocated under the plan, only a little over 30 tons are actually available to the peasants, the rest having been diverted at five levels—provincial, prefectural (municipal), county, township, and village. Most of the low-price chemical fertilizers thus pocketed are sold by the enterprises in agricultural capital goods at market prices or to their own employees or related households. Zhejiang Agricultural Capital Goods Company sold off 90,000 tons of low-price fertilizers at market prices, making a profit of more than 14 million yuan from the

price difference. At the party representative assembly in a certain county in Shaanxi last year, every participant was given an average of 80 kilograms of urea for a total of 136 tons, over 20 percent of the county's supply of urea pegged to its grain output.

Some agricultural capital goods enterprises raise prices as they please in violation of the price policy. According to an audit in 15 provinces and municipalities, such enterprises sold chemical fertilizers at inflated prices, reaping over 42 million yuan in illegal profits. In Guangzhou, the Huangpu district supply and marketing cooperative and the agricultural capital goods company resold three times the local supply of 20 tons of urea, jacking up their price from 500 to 1,000 yuan per ton, pocketing over 10,000 yuan in the process.

Moreover, the distribution and trading of special category chemical fertilizers have fallen into chaos in some localities. Fujian Province pegged the supply of nearly 60 tons of centrally allocated chemical fertilizers to 58 sectors. Even tourist, civil administration, and statistical agencies were given chemical fertilizer quotas. As a result, not only was it difficult to actually distribute the fertilizers as allocated, but some units even sold off their quotas for profit. Some grassroots food stations in Geyang County in Jiangxi Province sold 200 tons of chemical fertilizers, 47 percent of their quota, to individual vendors. Consequently, many peasants could not lay their hands on any chemical fertilizers even though they had sold their pigs.

Some agricultural capital goods enterprises also divert and divvy up funds among themselves in violation of the law. According to an audit in 4 provinces, Shandong, Anhui, Hebei, and Heilongjiang, a total of 28 million yuan were diverted by 380 enterprises. The agricultural capital goods enterprise in Ankang Prefecture in Shaanxi illegally diverted almost 10,000 yuan from the sale of 200 tons of chemical fertilizers and divvied up the money among themselves, with each person pocketing over 320 yuan.

Plans To Tap New Sea Salt Reserves To Relieve Shortage

*OW1603022089 Beijing XINHUA in English
1551 GMT 15 Mar 89*

[Text] Beijing, March 15 (XINHUA)—China will tap new salt reserves, especially those in northwest China, to relieve the country's lingering shortage of raw salt, an official from the Chemical Industry Ministry said today.

China has rich lake salt resources in the northwest. In Qinghai Province there are 20 salt lakes with a proven reserve of 93.6 billion tons, of which 63.9 billion tons—90 percent of the nation's total—are available to be tapped, the unidentified official said.

However, because they are in remote areas with poor economic and transportation conditions most of these salt lakes hadn't been tapped until 1985 when local governments started to increase spending on salt mining, the official said.

Qinghai Province has increased its saltworks from one to six, and its output from a few hundred thousand tons to three million tons a year.

Last year, two million tons of salt—about one-tenth of China's marketing salt—came to inland markets from the northwest, mitigating a nationwide salt shortage that had lasted for five consecutive years.

However, the official said, China's lake salt mining industry is still being held back by a lack of transportation. "Therefore, measures should be taken to expand the amount of available transport by rail or increase salt transportation subsidies," the official said.

Another method of increasing the salt supply would be to give priority to tapping sea salt resources along Bohai Bay in the north part of Shandong Province.

According to the official the two largest salt processing plants ever built in China will be completed in the province by 1990, boosting Shandong's annual output of raw salt to seven million tons.

China gets its raw salt from three resources—lake salt, rock salt, and sea salt.

Peasants Granted More Fertilizer To Boost Grain Output

*HK0303122989 Beijing CEI Database in English
3 Mar 89*

[Text] Beijing (CEI)—The State Council has decided to supply peasants with more fertilizer in 1989 in accordance with corresponding grain purchase contracts in a bid to boost grain production, according to the Ministry of Commerce.

According to the decision, the amount of contracted fertilizer for every 50 kg of rice and soybean has been increased to 7.5 kg from last year's three kg and for every 50 kg of wheat and corn to five kg from last year's three kg. All the provinces, autonomous regions or municipalities directly under the central government can increase the ratio themselves if they have more fertilizers.

The State Council has assured peasants that the price of such contracted fertilizer will not rise in 1989.

Plant Protection Agent Approved

*OW1703225489 Beijing XINHUA in English
0715 GMT 16 Mar 89*

[Text] A new kind of plant protection agent—wax emulsion—has recently passed appraisal in Shenyang, capital of northeast China's Liaoning Province. The agent, developed by the Fushun Petrochemical Research Institute, can be used to protect fruit trees from diseases and insects, and strengthen their resistance to drought and cold.

Forest Resources Dwindling

*OW0603132189 Beijing XINHUA in English
0910 GMT 6 Mar 89*

[Text] Beijing, March 6 (XINHUA)—China's per capita forest area and timber reserve rank 120th and 121st respectively among all countries and its forest resources are diminishing, the PEOPLE'S DAILY reports today.

Trees cover 115 million hectares. That area represents 12 percent of China but only four percent of the world forest area, and the timber reserve amounts to 9.028 billion cubic meters. China's forest area and timber reserve average only 0.11 hectares and nine cubic meters per capita.

On the other hand, China's annual consumption of its timber reserve is 300 million cubic meters, far exceeding the annual growth of 200 million cubic meters. Only northeast, northwest, and southwest China have small areas of primeval forest. If consumption continues to exceed growth, more than half of the state timber enterprises will have nothing to log by the end of the century.

The paper also notes that China's timber output rose only 2.2 percent a year—from 51.62 million cubic meters to 64.08 million cubic meters—between 1978 and 1987, while the gross national product rose 7.2 percent a year.

As the estimated demand for timber will rise between 5 and 15 percent a year, the shortage of timber will jump from the present 20 million cubic meters to 50-60 million cubic meters by the end of the century.

Reform of Forestry Investment Structure Stressed

*OW1003120289 Beijing Domestic Service in Mandarin
1030 GMT 3 Mar 89*

[Text] What steps should be taken to reform China's forestry investment structure? On this question, (Wang Lixin), vice general manager of the State Forestry Investment Company, expressed his view yesterday in an interview with the press.

Wang Lixin said: China's investment in the forest industry has always been an uncompensated investment. Moreover, due to various reasons, management of the invested projects is chaotic, and their economic results

are very poor. It is estimated that the aggregated total of capital construction investments made by the central authorities in the forestry departments across the nation have reached 18.74 billion yuan. Of this total, 5.37 billion yuan is invested in building forests and 13.37 billion yuan in forest industry. However, as the present situation of forest industry shows, the return on this enormous amount of investments has been very poor. This is manifested mainly in the negligible results of forest building, the fact that the volume of cut exceeds that of production, the steady decline of lumber output and the serious deficit incurred by the forestry enterprises.

In order to gradually change this situation, the State Forestry Investment Company has decided to step up management of the investments in the projects now under construction. Public bidding will be adopted for the designing and construction of all subprojects to the projects under construction to select the best qualified for the work. At the same time, management structure for the old projects will be reformed to establish a mechanism by which decisions will be made by and benefits will go to the investor.

Wang Lixin pointed out: China's forest resources are limited. The reserves of forested land amount to only 9 billion cubic meters, of which about 2 billion cubic meters can be felled and used. Nevertheless, we have very large areas of young growth and middle forests. In addition, there are large leftovers from felling and processing which are available for multipurpose utilization. This year, the investment earmarked for the multipurpose utilization of lumber will account for a larger share of the total investment made by the state in forest industry. It will increase to 30 percent as compared to 11 percent in 1980. The figure may increase further to 40 percent during the Eighth 5-Year Plan. This will bring about faster development in China's plywood industry and other industries that make multipurpose utilization of lumber. We will then be able to basically put a stop to the practice of getting lumber only by cutting logs.

Fujian Farms Owned by Overseas Chinese Flourishing

*OW1503134589 Beijing XINHUA in English
0743 GMT 14 Mar 89*

[Text] Fuzhou, March 14 (XINHUA)—Farms run by overseas Chinese in southeast China's coastal province Fujian have had the best result this year since their establishment.

A total of 17 farms have produced crops worth 140 million yuan (one yuan equals approximately 27 cents U.S.) and made total profits of 12.31 million yuan. Exports from the farms were worth 83.02 million yuan in foreign currency.

Cheng Yushan, deputy director of the Fujian Overseas Chinese Enterprises Management Bureau, said that the 21,300-hectare farms were scattered in remote areas and most of the 28,060 farmers were former refugees from Vietnam.

He said that last year a management committee was put in charge of the farms' production to supervise work and wages.

Cheng said that the bureau also helped create a more effective farms-export-oriented economy. It established a foreign raw materials manufacturing and assembling service company for the Fujian overseas Chinese enterprises in order to earn more foreign currency, he added.

Guangdong Continues To Lead in Fish Production
OW0503024889 Beijing XINHUA in English
1221 GMT 4 Mar 89

[Text] Beijing, March 4 (XINHUA)—Guangdong Province in south China produced 1.74 million tons of fish last year, 12.3 percent more than the previous year, the PEOPLE'S DAILY reports today.

The Overseas Edition of the Beijing-based newspaper says Guangdong's fish production has ranked first in the country for six successive years.

It attributes the result to the efforts of the local government. As well as providing financial aid, it has mobilized fishermen's enthusiasm, improved the system of contract production responsibility, and offered preferential policies and fishing technology.

Last year 6,000 boats were upgraded and equipped with modern instruments enabling them to operate in deep water.

Hebei Farmers Benefit From International Fund Loans
OW1103085589 Beijing XINHUA in English
0758 GMT 9 Mar 89

[Text] Shijiazhuang, March 9 (XINHUA)—Two poverty-stricken counties in Hebei Province have improved their environment with the help of loans from the International Fund for Agricultural Development (IFAD).

Wang Xiuyun, an official of the province's agricultural bureau, told XINHUA that the average annual income of farmers in Quzhou and Nanpi Counties has increased from 70 yuan in 1983 to 450 yuan last year with the completion of loan-financed works to drain an excess of salt from their land.

More than half of the 18,000 hectares of wasteland has been turned into forests and orchards and 3,000 kilometers of windbreaks have been planted.

According to Wang, Quzhou and Nanpi were formerly the poorest areas of the province because of salt in North China Plain. Scientific experiments proved that salinization of land was the major obstacle to their development. Farmers in the two counties couldn't feed themselves because of the lack of arable land and money for land improvement.

In 1983, IFAD agreed to provide 25 million U.S. dollars in loans for a pilot desalination project. The World Food Program assisted local farmers with eight million U.S. dollars worth of wheat, edible oil and other food to help them during the construction phase of the project.

With the help of scientists, the farmers built a network of drainage and irrigation canals to reduce the land's saline content.

In 1987, the two counties said goodbye to living off the state. Grain production has increased from 1,100 kg per hectare in 1983 to 6,000 kg per hectare in 1988 and cotton output rose from 150 kg per hectare to 750 kg per hectare last year.

The loans were also used to buy chemical fertilizer and farm machinery and have been reinvested in township industries.

"The best economic results are yet ahead," Liu Yintao, vice-governor of Nanpi County, told XINHUA. He estimated that in five to seven years fruit raised on the reclaimed land will bring in nine million yuan and another 15 million yuan will be earned from livestock raising.

"The success story of these two counties can provide experience and lessons for large-scale development of the Huanghe, Huaihe, and Huaihe plains," said Huang Zhaoxian, an agronomist from the Ministry of Agriculture.

Enforcement of Land Law in Heilongjiang Studied
40060308a Harbin HEILONGJIANG RIBAO
in Chinese 16 Jan 89 p 2

[Article by The Provincial Government and Legal Institution Coordinating Committee: "Precious Little Land To Benefit Our Descendants—An Investigation Into the State of 'Land Law' Enforcement in Heilongjiang"]

[Text] People depend upon land for life. If there is no arable land, there will be no grain. Although the average quantity of arable land per capita is higher in Heilongjiang than in the nation as a whole (where it is 1.5 mu per capita), in the 31 years between the time the PRC was established until 1980 arable land in this province declined from 8.4 mu per capita to 4.1 mu per capita. Now there is no more than 4 mu of land per capita, and we are losing land at the rate of 1 million mu per year. The land problem may well be considered the major issue that will affect the lives of our descendants.

Between September and October 1988 we made a serious study of the state of "Land Law" implementation and enforcement in Qingan, Suileng, and Suihua in Suihua Prefecture; Longjiang and Gannan in Qiqihar City; and Bin Xian in Songhuajiang Prefecture. Recently we also invited professors and experts on the land issue from all over Heilongjiang, as well as leading cadres from land administration departments, to comment on this issue. Everyone unanimously agreed that the "Land Law" has been enforced satisfactorily in Heilongjiang and produced substantial benefits. However, several insistent problems remain, and these should be a top concern.

I. The Gratifying Results We Have Achieved by Conscientiously Enforcing the Law

Since the "Land Law" was promulgated in June 1986, it has been widely publicized everywhere and conscientiously put into effect. The entire province has made a rather rapid transition from the old system of dispersed, decentralized land administration, to the new system of concentrated, centralized land administration, thus initiating a new phase in land administration. By the end of 1988 most of the cities and counties in Heilongjiang, with the exception of Mudanjiang and Jiamusi, had put centralized administration into effect and were gradually making progress toward lawful land administration. In 1987 cases of land usurpation declined 87.9 percent from the previous year, and in 1988 there were further notable declines. The percentage of land usurpation cases resolved has increased year after year, to 76 percent in 1987 and 82 percent in the first 10 months of 1988. The number of land disputes resulting from unclear ownership rights has dropped 90 percent since the "Land Law" was promulgated. Heilongjiang has essentially curbed the unhealthy trend toward indiscriminate occupation and misuse of land. Non-agricultural construction was using up 400,000 mu of land per year, but in the past 2 years it has been kept to within the 150,000 mu allowed in the state plan. There has also been new progress in reclaiming abandoned land. In 1987 150,000 mu of abandoned land was transformed and put to use in Heilongjiang, and in 1988 the figure has increased somewhat.

Heilongjiang has been able to achieve such remarkable economic and social results within a little more than 2 years of implementing and enforcing the "Land Law" primarily because all levels of leadership have given the matter their full attention and all relevant departments pitched in to help. The province, cities, and counties have launched three massive, universal "Land Law" publicity and education efforts, and now 90 percent of all adults are familiar with the law. Land administration departments at various levels have organized some 2,610 grassroots cadre training classes to study land laws and regulations, and more than 210,000 people have participated and been trained. Public security organs, procuratorial organs, people's courts, and judicial departments, as well as labor unions, the Communist Youth

League, the Women's Federation, and other organizations, have all taken an active part, and the whole province has pitched in to publicize, implement, and enforce the "Land Law." Land administration departments have also formulated supplementary administrative measures, and most townships and villages have clearly stipulated, in agreements with the citizenry, what will be involved in enforcing the "Land Law." Throughout the province we have instituted land inspection and declaration registries. Certain regions have implemented a system of personal responsibility for land administration, promoted goal management, put floating wages into effect for township cadres and land administration officials, instituted strict but impartial rewards and punishments, and broken the "communal pot" in distribution. Some counties (and municipalities) have also proposed preventive policies and made more lead efforts to nip illegal land usurpation cases in the bud.

II. Cases of Lax Enforcement

Enforcement of the "Land Law" in Heilongjiang has not been uniform enough. In some places and units land usurpation is still fairly serious, and destruction of land resources still occasionally occurs. Surveys indicate that disregard and lax enforcement of the law has occurred mostly in the following situations:

A. A Few Cities and Counties Have Not Yet Established Centralized Land Administration as Required by Law

Mudanjiang and Jiamusi have not yet implemented centralized land administration as required by law. In Qiqihar, Jixi, Yilan, Fuyuan, and Fayi, although the city and county governments have made a resolution on centralized land administration, interference from city construction departments has delayed implementation of the centralized administration effort and it has not been completely put into place. In these regions where centralized administration has not been instituted, or where it has been poorly implemented, usurpation and misuse of land is fairly serious.

B. Cases of Land Usurpation Occur Time and Again

Since the "Land Law" was promulgated, although cases of land usurpation have been declining across the province, in some places, especially large and medium-sized cities, integrated urban and rural sections, and border regions, cases of land usurpation are still increasing. In the first 9 months of 1988, 272 cases of land usurpation occurred in Harbin, up 126 percent over the same period of 1987. Surveys indicate cases of land usurpation are manifested primarily as follows:

1. Unauthorized land use. In 1988, 50 out of 61 cases of land usurpation in Harbin, or 81.9 percent, were cases in which land was occupied and used without approval.

2. Occupation prior to approval. Some units have applied to use a plot of land, and then, without really following examination and approval procedures, broken ground and begun construction. Yinhe Township in Gannan County already has two brickyards, yet in 1988 it occupied 29 mu of arable land to build a new brickyard and began construction without waiting for approval.

3. Exceeding authority to grant approval. In April 1987 a leading cadre in the Zhaozhou county government exceeded his authority and parcelled out 692 mu of arable Chaoyang Ravine land belonging to Huzhu village to the 10 Daqing Oil Extraction Plants to build pump inspection facilities and housing for family members.

4. Illegal land sales. With the verbal assent of county authorities, Longsheng Village in Huanan Town, Huanan County, which is well-known for having raised money for villagers to install running water, sold 14.5 mu of arable land.

5. Usurping more land than has been approved. Longsheng Village in Huanan Town applied to use 18 mu of land to build housing for 38 residents, but then used 35.5 mu of land for that purpose.

C. Law Enforcement and Insignificant Penalties

Some locales treat land usurpation too leniently and assign insignificant fines. Of the 694 cases of land usurpation that occurred province-wide in the first 9 months of 1988, corrective measures and insignificant fines were imposed on 321 cases, or 51.1 percent of the total. In the 11 counties in Qiqihar, 61 households usurped land, but fines were imposed on only 53 of them, or 87 percent of the total. The people say, "Paying a few fines legalizes land usurpation."

D. We Cannot Uphold the Principle of Equal Treatment Before the Law.

It is widely reported that organizations, enterprises, and institutions that usurp land are treated leniently.

E. The Enforcement Application Period Is Too Long and It Is Difficult To Comply With the Law

Article 52 of the "Land Law" stipulates that "A party that refuses to accept a disciplinary penalty resolution may bring suit before the people's court within 30 days of receiving notice of the penalty resolution; if the deadline passes but no suit has been filed and the penalty has not been fulfilled, the organ which issued the penalty resolution must apply to the people's court for enforcement." It is reported that the stipulated 30-day deadline is too long; it takes only 8 to 10 days to complete construction on a village house, and by the time the order is enforced the damage is already done. Certain grassroots cadres complain constantly about this and say it is difficult to comply with the law.

Many things affect strict enforcement, primarily the fuzzy concept of legality that pertains among the authorities in some locales. Imperfections in the existing land administration system also have a lot to do with it. The various land administration departments originally were part of the system of government law enforcement departments, but their funding sources were classified as outside the fiscal budget, and they relied upon the collection of land administration fees to pay their expenses. More often than not, the better the land administration, the lower the fees collected. Some land administration departments were forced to approve more land requests in order to resolve funding shortfalls. In addition, land control organizations are unsound. They have low-quality specialized personnel that are supremely unequal to the task of centralized land administration. At the township level the vast majority of land administration personnel are temporary contract workers who are poorly qualified, hold several posts simultaneously, and cannot devote their major efforts to land administration.

III. Six Suggestions for Enhancing Land Administration in Accordance With the Law

As population grows and the amount of land used in construction increases, the conflicts over insufficient land and insufficient arable land will grow more and more prominent. In order to better and more conscientiously enforce the "Land Law" and satisfactorily administer, protect, and utilize the land, the fact-finding group proposes the following suggestions:

A. We Must Intensify Our Efforts To Publicize the "Land Law"

Authorities at every level must assign top priority to publicizing, implementing, and enforcing the "Land Law," making a regular, conscientious effort to take charge of the situation. We suggest that on about 1 May the Heilongjiang Party Committee and the provincial government launch a province-wide propaganda and education effort on the universal land concept. At the same time they should institute an overall review of the "Land Law" enforcement situation, publicly handle the typical cases of land usurpation, and promote comprehensive "Land Law" implementation. We must work progressively to create a climate of lawful land administration throughout Heilongjiang.

B. We Must Perfect Legislation and Coordinate the Relationship Between Interrelated Laws and Regulations

In view of the fact that the departments concerned have different understandings of the interrelated laws and regulations involving land issues, we suggest that they all handle the establishment and modification of land rights categories, changes in land use, land requisition (or

seizure), land registry administration, and land dispute arbitration as stipulated in the "Rules for Provincial Land Administration in Heilongjiang."

C. We Must Strengthen the Land Control System and Enhance Land Administration

We must fortify land control organizations and endow land administration departments with vigorous means of enforcement. Controls over the economic environment must be integrated with economic reorganization, and we must strengthen land controls. We propose the adoption of methods wherein the upper-level land administration departments will appoint land supervisors to the lower-level departments. The appointed supervisors will accept agency guidance, report any problems they discover directly to the agency, and work conscientiously to enhance land administration. Simultaneously, in accordance with stipulations in Articles 5 and 48 of the "Land Law," they will put a stop to all land examination and approval procedures not carried out by land departments. We must fortify multiple controls over land use for construction purposes and work earnestly to ensure that if the land administration department does not approve a project, banks will not appropriate funds for it, planning departments will not issue building permits, and industrial and commercial departments will not issue business permits. Where centralized administration has not yet been put into effect, we suggest that the Heilongjiang People's Congress and the provincial government adopt effective measures to spur its adoption as quickly as possible in order to guarantee that laws and regulations are taken seriously.

D. We Must Make Adjustments in Land Administration Personnel and Rearrange the Administrative System

We suggest that each level of government select or transfer in a group of cadres who maintain an acceptable ideology, are upright and honest in character, are familiar with our policies, and understand the laws and regulations. This will enhance land administration departments at all levels by improving their level of comprehensive coordination. We should change the sources of funding for land administration departments. If we are to resolve the administrative problems, we propose that we must first begin to budget operating expenses for land administration departments. That is, all the land administration fees that land departments collect, except for 20 percent that would be reserved for a special fund, would be handed over to finance departments and become part of the local fiscal budget.

E. We Must Develop Land Rationally and Improve Utilization of Wasteland

Land development efforts in Heilongjiang must work from the foundation we established in the past, of

filling hollows to create fields, reclaiming wasteland for cultivation, and sealing capillary roads. We must focus on developing scattered, unutilized, but tillable land resources that require little investment, bring quick results, and produce high returns, and we must adopt various ways of organizing farmers to develop them. We need to intensify industrial restructuring, and, keeping to the principle of protecting and making rational use of the land, we must suit measures to local conditions—we must use arable land for farming, pasture land for herding, and forest land for forestry, while land suitable for construction may be used for construction. As we develop township enterprise we must concentrate both on producing economic returns and economizing on land use. We need to unify economic benefits with ecological benefits, and when we can use wasteland we must resolve not to use good land.

We should make good use of wasteland. In addition to expanding cultivated land area, we must also concentrate our efforts on developing earthen pits and alkali grass ponds to raise fish; using old river beds to build houses; planting trees in erosion channels and on sand dunes, dikes, and dams; making the best use of abandoned brick kilns; and successfully applying the concept of multipurpose utilization. We suggest that the provincial government establish certain preferential policies to encourage the use of wasteland, such as offering certain subsidies; allowing a 5-year exemption from administrative fees; permitting exemptions from withholdings, agricultural taxes, or state purchase quotas; allowing inheritance of woodlands that have long growth cycles and produce slow returns; and so forth. We should encourage the development and utilization of wasteland by adhering to the principle that "whoever develops the land should profit from it." At the same time, we must establish a system for collecting fees when land is allowed to go out of cultivation and impose wasteland fees for artificially induced soil hardening, desertification, salinization, and abandonment. This will guarantee rational land utilization.

F. We Must Enhance Leadership and Institute Strict Enforcement

We suggest that the Heilongjiang Party Committee and the provincial government earnestly apply themselves to enhancing leadership in land administration efforts. They must join forces and strengthen leading bodies in land administration departments at all levels. Proceeding from a basic interest in maintaining ecological equilibrium and concentrating on ecological benefits, they must formulate measures and goals for macroeconomic controls over limited land resources and enhance overall administration. We must demand that cadres at all levels rigorously enforce the law, and we should enter this law enforcement record into the career evaluation process for leading cadres and make it a part of the tenure goal responsibility system.

Henan Intensifies Afforestation

40060285a Beijing RENMIN RIBAO in Chinese
31 Jan 89 p 2

[By Mo Yang 7817 2799]

[Text] Henan Province, where plain afforestation has made significant headway, is now moving ahead with the greatest speed possible to be the nation's leader in plain afforestation. The provincial government recently demanded that all plain and semi-plain counties in the province comply with plain afforestation standards by 1991 or try to do so within a specified period. Counties which have already met those standards must aim to do better.

Henan is one of the first provinces to undertake plain afforestation. To date, 30 million mu are planted with crops and tung trees alternately, 20 million mu are afforested farmland, and 210,000 villages and 100,000 kilometers of rivers, canals, and roads are covered with trees, giving rise to a new plain forestry. The province's forest inventory currently stands at 44,577,000 cubic meters, up from 29 million cubic meters in 1980, a 1.50-fold increase. In 1985, 2 prefectures and 10 counties met plain afforestation standards set by the province, subsequently joined by 17 more counties last year.

Inspecting the plain afforestation effort in some prefectures and counties not long ago, Vice Governor Song Zhaosu [1345 3564 5126] learned that the pace of development varies from place to place. Some areas still look the same after several years. Some counties may have complied with official standards, but their extent of afforestation is still limited. There remain 37 counties (municipalities) in Henan where afforestation has been very slow, with "isolated clusters" of trees here and there.

In light of this situation, the provincial government has called the departments involved together to consider and work out new measures to speed up afforestation. First, leading cadres at all levels are required to further their understanding and tackle plain afforestation as a piece of biological engineering in agricultural capital construction. Second, a two-guarantee responsibility system would be introduced, under which the local government guarantees that the task would be done and the forestry department guarantees that it would come up with the technology. Third, comprehensive planning. Whoever plants a tree would benefit from it. He would also be responsible for obtaining the nursery stock himself. Fourth, management by objective would be introduced. Afforestation tasks would be spelled out clearly for the 37 counties which have not met provincial standards. Those who still fail to measure up would be held responsible. Fifth, forestry management and protection would be intensified. Management agencies such as forestry work stations at the township level would be created and improved.

Grassland Research Yields Results for Inner Mongolia

OW1303075689 Beijing XINHUA in English
0709 GMT 13 Mar 89

[Text] Hohhot, March 13 (XINHUA)—China's newly opened grassland systematic engineering research program is already bringing economic, ecological and social benefits to Inner Mongolia.

Because of improper use and inadequate protection, 286 million hectares of grassland in China is deteriorating.

The new research program, advocated by the noted scientist Qian Xesen, and undertaken by the grassland Research Institute of the Chinese Academy of Agricultural Sciences, is one of the key projects of the Seventh 5-Year Plan (1986-90).

Started three years ago, the project is based in Harqin Banner (County) of southeastern Inner Mongolia, an area suffering from serious soil erosion.

So far, 5,000 hectares of man-made grassland has been established in this area and 2,200 hectares of natural grassland been developed.

The improved grassland has also helped effectively control soil erosion of 6,000 hectares and protect 10,000 hectares of farmland.

Fifty households involved in the grassland industry now have an income 39 percent higher than that of ordinary farmers and herdsmen.

Assessment of Jiangsu Cotton Processing Problems

40060308b Nanjing XINHUA RIBAO in Chinese
21 Jan 89 pp 1, 2

[Article by XINHUA RIBAO staff reporters Song Jinping 1345 6855 5493 and Wang Qiang 3769 1730: "Why Does the Spinning Industry Repeatedly Run the 'Red Light?'"]

[Text] The news from the Jiangsu Department of Spinning Industry is that although Jiangsu has issued repeated admonitions about the need to control indiscriminate industry expansion, the trend everywhere is still toward increasing, rather than decreasing production in cotton spinning. In fact production is mushrooming more and more as time goes on. Why does expansion in the spinning industry repeatedly run the red light? And what can we do about it? In December 1988 we paid a call on the Jiangsu Department of Spinning Industry and on certain cities and counties in northern and southern Jiangsu in search of the answers. What we saw and heard provides food for thought.

"Indiscriminate expansion in the spinning industry creates an ever greater demand for cotton. There is a serious imbalance of supply and demand, and it is no longer just a local problem." Our visit to the Department of Spinning Industry deeply impressed this upon us. According to our sources, as of the end of 1987 there were 3,840,000 spindles in Jiangsu. Right now 2,220,000 more spindles are being installed, for an increase of 57.8 percent over the end of 1987. In these projects under construction, 440,000 spindles, or only 19.8 percent of the number being installed, have received ministry and provincial approval. The remainder are largely being constructed by cities, counties, or enterprises acting on their own. If all these spindles reach production capability Jiangsu's spinning capacity will reach 6 million spindles, and, in addition to synthetic fibers, we will need raw materials amounting to 850,000 tons of cotton alone. But even if cotton production in the province is restored to its all-time high of 666,000 tons per year, after we deduct the amount used for everyday purposes, military supplies, and by the cotton farmers themselves, by ceasing all exports and using the remainder entirely for spinning we will only be able to supply 500,000 tons. We will still be 350,000 tons short. Looking outside Jiangsu at all cotton-exporting provinces, we see that they, too, are rapidly developing spinning industries. If we expect to rely on imports of cotton from other provinces to supplement our own supplies, the prospects look dreadful.

Indiscriminate expansion in the spinning industry has resulted in many obvious and easily observable forms of corruption. So why have we never put a stop to it?

When we visited Changshu we heard the cadres there grumbling that they "want the horse to run fast, but not to eat grass." From what we understand, the higher authorities demand that the finances Changshu turns over increase at the rate of 6 percent per year. This is like saying that Changshu's output value must increase 1 billion yuan per year. In order to reach that goal the city's industrial output value must grow at the rate of 10 to 15 percent per year. If there is no input, how can there be output? If the city does not invest 300 million yuan per year in industry, but only relies on enterprises to tap their potential, this goal is unachievable. Moreover, small spinning enterprises are supposed to be just that. They are low-input, short-cycle, quick-result, high-return undertakings. They have naturally become the favorite means of economic development. Now we want to chop them back and kill them. Isn't that just like cutting off the people's "road to riches"? How can people just lie there and take it?

Approving too many projects and overstepping authority to approve projects abets indiscriminate development in Jiangsu's spinning industry. One section chief in the Department of Spinning Industry told me that after the administrative situation was simplified and rights were expanded, local areas became able to approve projects essentially on their own, without going through the

department. Although the provincial government has twice sent out department documents concerned with keeping spinning capacity under control, no one has paid them any mind. Because economic restructuring is not yet complete, each enterprise, region, and department does things in its own way as it sees fit. From a macroeconomic perspective, there are no effective ways to adjust and regulate this situation. In administrative affairs, as each department examines and approves a project, individual policy decisions are extremely arbitrary. Not only can cities and counties examine and approve new spinning projects, some supply and marketing systems and materials departments can also approve them. Even home villages have the authority to examine and approve projects. In one southern Jiangsu city there are 11 departments that have project approval authority. One trend that merits serious attention is that when projects are approved the examining units more often than not pay attention only to amount of money invested. Very few consider the proposal from all angles to see if the composition of the investment is reasonable. In Judong County it came to our attention that township enterprises can approve projects costing less than 300,000 yuan, and the county planning commission and economic commission can jointly approve any project costing less than 1 million yuan. Within the county, the relevant departments also have the authority to approve projects costing 50,000 yuan, and there is no concrete regulation concerning the direction of investment. Thus, it seems as though there are checks at every level of the project approval process, but there is no macroeconomic consideration given to the composition of investment. Nobody pays much attention to what plants counties and townships operate, and as a result small spinning plants grow more and more popular.

Pricing is irrational, and this stimulates the northern Jiangsu cotton region to strive also to expand the spinning industry. Generally speaking one can obtain a 5 percent return by processing cotton into cotton yarn. Further processing, such as processing cotton yarn into finished knitted goods or printed and dyed cloth, can raise the return to 10 percent. In the past 3 years there has been a shortage of spun cotton goods to meet market demand. Various cities in southern Jiangsu, where weaving, printing, and dyeing capacity is considerable, applied their efforts to increasing spindle production in order to make themselves self-supporting. Comrades in the northern Jiangsu cotton district figured that cotton-exporting regions were earning low returns overall, so they also increased the number of spindles. According to statistics, Xu, Yan, and Lian cotton districts are installing 450,000 cotton spindles, which accounts for 20.4 percent of the total number under construction in Jiangsu. This represents 79 percent growth over the end of 1987. In northern Jiangsu we heard people say, "We are not willing to continue to be a raw-material exporter." At the same time, we discovered the following widespread attitude: "We already lag far behind southern Jiangsu, and if we do not develop now we will fall farther behind. Isn't the provincial government also

promoting a strategic plan for actively improving southern Jiangsu and rapidly developing northern Jiangsu?" Consequently, northern Jiangsu, intoxicated with self-satisfaction and saying "our goods are selling well the same way they always have," is expanding the number of cotton spindles day after day.

Certain "land policies" that apply to township enterprise distribution have also spurred runaway growth in low-investment, rapid-return cotton-spindle enterprises. Certain counties in Nantong make the following stipulation concerning the assessment of township enterprises: Given that profits do not fall below 10 percent, in a township enterprise with an annual output value of 3 to 5 million yuan a contract team member may earn a double worker's salary; if the annual output value runs 5 to 10 million yuan a contract team member may earn triple a worker's salary; if the annual output value exceeds 10 million yuan a contractor may earn quadruple a worker's salary, generally as much as 8,000 yuan per year. Where the annual output value is over 10 million yuan, even if the factory has been named a star enterprise, the factory director or manager under contract may move his household out of the countryside. Developing cotton-spindle enterprises is a low-investment, short-cycle, quick-result, high-return undertaking. And once developed, one can also expand into more intensive processing and promote printing, dyeing, knitting, and other embellishments. It is no wonder that the director of a cotton-spinning plant, when talking with us about holding down the scale of capital construction in cotton-spinning enterprises, shook his fist and said: "Right now we cannot take the whole situation into account. Later, when we have an opportunity to do so, we must still stand firm!"

So, what measures can we use to cool down the spinning industry? For now we believe we must act in the spirit of the central government, which, in sorting out construction projects, reduces the scale of fixed-asset investment and makes adjustments in the composition of investment. We must thoroughly sort through and overhaul spinning projects that are under construction or on the drawing boards, and then divide them according to their administrative levels and differences and deal with them prudently. We cannot be softhearted. We must resolve to cut those repetitive construction projects that begin from a low starting point, have no guaranteed source of raw materials, are not up to par in quality, and have low standards. We must concentrate our efforts on supporting those projects that begin from a high starting point, use advanced technology, are high quality, and have a guaranteed source of raw materials. This will ensure that Jiangsu's limited resources are used prudently, and it will get our cotton-spinning industry on track to improve product quality. From a long-term perspective, we must gradually reduce administrative intervention and adopt effective industry policies to institute macroeconomic regulation. As for the practical means of examining and approving cotton- and wool-spinning and synthetics projects, we must rigorously enforce the relevant state

stipulations and change our past methods, in which there were many agencies with the authority to examine and approve projects, and in which one could by-pass the immediate authorities and appeal to a higher level. We must advocate management in keeping with the appropriate trade or sector. Even more important, we must not blindly and inflexibly hold down output value and rate standards, but we must cool down the overheated economic situation. At the same time, in our mechanism for examining achievements we must switch from our past emphasis on profits to an emphasis on regulation. We must put all our efforts into true macroeconomic regulation so that the spinning industry in Jiangsu will develop in a healthy fashion.

Feed Industry Making Progress in Jiangxi
40060285b Nanchang JIANGXI RIBAO in Chinese
3 Jan 89 p 1

[By Zhu Yongding 2612 3057 1353 and Cai Youyun 5591 0645 0061]

[Text] After 10 years of reform, the feed industry of Jiangxi Province has increased its annual output from a mere 5,000 tons to 1.40 million tons. The per capita feed supply last year was 37 kilograms, 54 percent higher than the national average.

Basically nonexistent before the 3d plenum of the 11th CPC Central Committee, the feed industry is now an up-and-coming industry in the province. During the decade of reform, the provincial CPC committee and provincial government made the industry a priority. They invested in it a total of 64.91 million yuan, built 134 key enterprises each with a single-shift output of 3,000 tons, and built and upgraded a number of feed processing workshops with an output of 2,000 tons. As a result, the province's single-shift mixed feed production capacity has now reached 1.37 million tons. The Nanchang Feed Plant, which went into production in 1986, has an annual single-shift production capacity of 20,000 tons, making it the largest such plant south of the Chang Jiang. Apart from provincial, preferential, and county feed plants, many townships and towns have also built feed factories. The province as a whole now boasts more than 1,000 feed plants large and small. Even as it put up feed plants, the province has also been setting up feed research institutes and feed inspection centers, laying a solid foundation for further advances in the province's feed industry.

There used to be only one variety of mixed feed, namely mixed pig feed. Now it has been joined by many other varieties, such as mixed chicken feed, duck feed, cattle feed, lamb feed, and rabbit feed. Other products include additives and concentrates. At the feed industry's first product appraisal and competition in the province last year, 10 products captured first, second, and third prizes. For example, the "Lark" brand of mixed feed for laying ducks, the "Azalea" brand of mixed feed for fattening pigs, and the "Bumper Harvest" No 871 pig concentrate

were designated as high-quality products for 1988. Turning to research on feed resources, effective studies have been done on hair protein hydrolysate, starch protein, alcohol yeast protein, algal protein, feather powder, and pine needle powder.

The development of the feed industry has fueled the growth of the poultry industry, to the immense benefit of society and the economy. The province's total pork, beef, and mutton output last year was 781,000 tons, up from 427,100 tons in 1983, a jump of 82.8 percent. The extensive use of mixed and compound feed has increased the return on feed. Assuming an increase of just 20 percent, by producing 5 million tons of mixed and compound feed in the last 10 years, we have effectively saved 1 million tons of grain.

At a meeting on 27 December last year commending the winners in the feed industry's first product appraisal and competition, Vice Governor Zhang Fengyu [1728 6646 7183] presented awards and addressed the gathering. He said, "In the future the feed industry must apply itself to the production of 'grain-economizing' feed, improve feed formulas by relying on science, technology, and management, reduce the percentage of grain in mixed feed, and improve the efficiency of grain utilization."

Jiangxi Province Adjusts Grain, Edible Oil Prices
*OW1603100289 Nanchang Jiangxi Provincial Service
in Mandarin 1100 GMT 8 Mar 89*

[Text] In order to further reduce peasants' burden, arouse their enthusiasm in farming work, promote grain production, and stabilize the prices of grain and edible oil for urban residents, the Jiangxi Provincial People's Government has decided to adjust the procurement prices of certain grain and oil-bearing crops in 1989, cancel the old plan of procuring excess grain and oil-bearing crops at parity prices instead of negotiated prices, reduce the marketing quota for certain grain, and appropriate special funds for the procurement of grain. The provincial people's government stipulated that, starting 1 April 1989, the contracted procurement price for 50 kg of early rice will be raised by 5.01 yuan and the contracted procurement price for 50 kg of vegetable oil will be raised by 3 yuan. However, the procurement prices for the amount of grain and edible oil not sold to the state according to contracts in 1988 will still be based on the present procurement prices. After raising procurement prices for grain and edible oil, the policy of fixing the quantity and prices of grain and edible oil and related regulations for urban resident will not be changed. Various localities must ensure normal supply of grain and edible oil for urban residents.

In order to reduce peasants' burden, peasants in the province will be allowed to sell 110 million kg of grain at negotiated price in addition to 300 million kg set in 1988. The state will pay negotiated prices to peasants in procuring grain in excess of the procurement quotas according to contracts.

Sichuan Becomes Nation's Largest Pig Producer
*OW0303124689 Beijing XINHUA in English
0733 GMT 2 Mar 89*

[Text] Chengdu, March 2 (XINHUA)—Fifty-seven million pigs were slaughtered in Sichuan last year—up 11.3 percent from 1987—making the province China's largest pig producer.

The information was disclosed during a provincial meeting on livestock farming which closed Tuesday.

The province also exports 300,000 head of live pigs a year, and annually sells 10 million live pigs and 300,000 tons of pork (the most popular meat in China) to other provinces on the Chinese mainland.

Li Changjie, vice governor in charge of agriculture in Sichuan told XINHUA that the success in pig production was the result of a series of preferential policies adopted by the provincial government to stimulate pig breeding.

For every pig sold to the state, the farmer receives 35 kilograms of grain and a specified amount of chemical fertilizer from the local agricultural department.

The provincial government also monitors prices during the peak pig slaughtering season, to protect farmers from losses.

At the same time, a total of 9,000 basic veterinary stations have been set up, staffed by scientific and technological workers who teach local farmers how to prevent and cure pig diseases.

Agricultural Loans in Sichuan
*OW0903183389 Beijing XINHUA in English
1509 GMT 8 Mar 89*

[Text] Sichuan's provincial agricultural bank will increase its agricultural loans by 770 million yuan this year. The loans will be used to help the production and processing of agricultural products.

Bumper Harvest Aids Xinjiang Economy
*OW0103121189 Beijing XINHUA in English
0723 GMT 1 Mar 89*

[Text] Urumqi, March 1 (XINHUA)—The Xinjiang Uygur Autonomous Region in western China, which used to rely on subsidies of grain from other areas, now has more grain per capita than the national average, thanks to good harvests for 11 consecutive years, according to the regional government.

Due to the special efforts of the regional government, the total grain output rose nearly 90 percent from 3.22 million tons in 1977 to 6.06 million tons in 1988,

averaging 0.46 tons per capita. In addition, the region has supplied 950,000 tons of grain to other parts of the country over the past four years.

The good harvests have also promoted development of the foodstuffs, feed, animal husbandry and other industries, as well as the overall economy.

Food processing is one of the fastest-growing industries in the region. According to the regional economic committee, all cities, counties and over 100 farms of the production and construction corps have set up their own foodstuff and edible oil plants. By the end of 1987, Xinjiang had 1,420 factories making pastries, canned food, dairy products and edible oil, as well as distilleries. Some 46,000 people are employed in these plants and their output value totalled 1.448 billion yuan, ranking third after petroleum and textiles.

The region has set up about 140 feed workshops with a total production capacity of over 460,000 tons of mixed feed a year.

With the development of grain and feed production, chicken, pig, fish and dairy farms have been set up, and specialized households have spread all over the region. In 1988 the output of pork, beef and mutton reached 245,000 tons; milk, 300 million liters; eggs, 65,000 tons; and fish, 18,000 tons. These were rises of between 5.2 percent and 30 percent over the previous year.

In the same period, restaurants, fast food shops and food stalls mushroomed everywhere in the region, which covers 1.6 million sq km or about one sixth of China.

The steady growth of grain output has also helped develop cash crops, including grapes, cotton, melons and fruits, which are now exported and have become major earners of foreign exchange for the region.

According to Secretary of the Regional Party Committee Song Hanliang, in the face of sharp price rises for capital goods the region will adopt measures to support grain production this year, including fulfilling contracts linking supply of fertilizer and other capital goods with purchasing quotas, and raising grain purchasing prices.

'Third Crisis of Education,' Countermeasures
40050291c Beijing JINGJIXUE ZHOUBAO in Chinese
29 Jan 89 p 3

[Article by Wen Yuankai 3306 0337 0418: "The Third Crisis of Education in China and Its Countermeasures"]

[Text]My Analysis of the Third Crisis of Education in China

The reform of China's economy faces a serious situation. I feel it is extremely important now to stress whether we have the courage and tolerance to admit that reform of our educational system is facing a similarly serious situation: We are facing the third crisis in education after the destruction of the Great Leap Forward and the Cultural Revolution. If we cannot see this crisis and do not take effective measures, in another five to ten years we will be facing a new dip in talent.

China's shortage of funds for education stands out internationally. Our per capita national product puts us in the one hundredth place in the world, but our outlays for education should put us several places from the bottom. Only a few countries in the world have a per capita outlay for education as low as \$5, and China is one of them. I think the position of China's teachers is equally low. Therefore, we should further strengthen the importance of education. Indeed, as Deng Xiaoping said during the Central Committee Work Conference last September, we should by all means exercise more restraint in all other areas, even sacrificing a little speed to resolve without delay the problem of education.

The attitude "study is useless" which has appeared in recent years is definitely related to the growth of a commodity economy which makes people think highly of money, but in essence is also related to the lowering of the economic position of teachers and educating talent. Turning things upside down seriously affects students' pursuit of knowledge and spirit of advancement. It also results in the middle and elementary school dropout, the appearance of child workers, child peasants and child merchants. The current crisis in education is the result of the slow pace of educational reform; there have been no essential breakthroughs, and the scope of the reform has been limited to writing articles on some minor problems. There is still a serious gap between education and economic development. Reform of the educational system is far behind compared with the very vigorous reform of the science and technology system. Besides, campus upheavals have made our universities hotbeds of disorder. The leadership had to devote some energy to guarding against student disturbances which slowed down the pace of essential reform of the higher education system. And the situation between university students and the leaders and the government had never been resolved.

There is not enough coordination between the current reform of the educational system and the high-tech growth, outwardly-directed economic growth, and the

enterprise structure, so that as a result education seriously lacks vitality. In a nation with a serious shortage of talented people, such as China, we have the ridiculous situation of undergraduates and graduate students not being assigned work after graduation. In addition, the instructional methods of institutions of higher learning still have not eliminated the spoon-feeding and force-feeding. Student evaluation is still stuck in a system of using grades as the sole criterion for everything else. The students lack the training and social experience to improve their own abilities. Society's opinion of the ability of graduates of higher learning is very low. College students have little concept of taking refresher courses. There is a minority of students who are terribly conceited, have more ambition than talent, and after they get into the working world, they have grandiose dreams but mediocre ability to realize these dreams. They worry that they will not find suitable work for their talents, are unable to get social acceptance, and feel aggrieved, and this has intensified resentment and negative psychology of young people with regard to society.

Proposals for Countermeasures

I have the following suggestions for creating a new situation in reform of the educational system: 1. The guiding ideology of reform of the educational system should be clearly stated so that education is oriented towards the main arena of economic development and serves economic goals. There is clearly no doubt about this. To train talented people, especially the managerial people, we should first have in mind training for the purpose of promoting economic development. The key link to education is to serve economic development. 2. Ideological obstacles and restrictions should be smashed. Ways and means of importing foreign capital should be sought to experiment on operating jointly funded education programs. Many overseas Chinese and scholars abroad are willing to put up money to run schools in China and improve the quality of our citizens. A few years ago we missed many such opportunities and the initiative of many foreign scholars, foreign entrepreneurs, governments and religious groups to operate schools in China. The enthusiasm of these foreign institutions to set up schools in China, as a result, suffered setbacks. The failure of the Shenzhen experimental university is a primary example. Actually, foreign investment in the Chinese education is an important way to change China's current shortage of educational funds. 3. Advocate operating private universities. Reform of the ownership system should begin in all aspects in China right away and should be included in the education system. The ownership of the education system should also be pluralized, so that on the one hand, there are state-operated national universities, locally-operated universities, the enterprise-operated universities as well as private universities and schools. This is also a way to resolve the problem of having educational funding coming only from the state. 4. Advocate that entrepreneurs engage in operating schools. There are some farsighted and strong entrepreneurs now willing to devote part of

their economic benefits to operate schools for improving the quality of employees and citizens. This should be encouraged. These are some of the ways to deal with the situation in which the state pays all the educational expenses. 5. Pluralization and multi-leveled operation of schools should be further promoted. There have been valuable attempts in this area in recent years and some schools that have pluralized, multi-leveled management have emerged, such as vocational education and vocational upper middle schools. Of course they are not all equal in quality and some are schools in name only, being in it only for the money, even to the point of selling diplomas, and this is something which should be rectified. However, we should not throw out the baby with the bathwater. We should increase monitoring, inspecting, and auditing these schools. In general we should still encourage them. 6. We should pay attention to making China's educational structure adapt rapidly to the growth of China's high-technology and the reorganization of China's enterprise structure and to the needs of economic growth so that the mix of talented people can match the system. Only thus can an education become a powerful driving force for China's economic growth.

Only thus can education galvanize more social recognition of its importance, more social support, and more funding.

In the past few years a large group of entrepreneurs who engage in managing talented people and scientific and technological developments have emerged in China, but talented people for China's education are few and far between. There are a few talented people who have tried courageous experiments in education but who have been cold-shouldered, attacked, and pushed aside, and have suffered defeat. This is very tragic. In the end, if we would improve the level of education we must improve the quality of educators. We should liberate our educators at all levels from the positions of some little tribal chiefs to devoting more energy to expanding education, improving educational quality, and training talented people. We should encourage them to become educators and not the mayors of little dukedoms. We should safeguard their energy and health, and we should resolve problems fundamentally and systemically. We should encourage those educators who can create a new situation under present circumstances and improve their social position so that they can make a contribution to changing China's backward education.

CENTRAL-SOUTH REGION

Reporting Centers Aid Guangdong Fight Against Crime

HK1503150389 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 14 Mar 89

[Text] A total of more than 9,000 cases involving suspected criminal activities have been handled in the past year since the establishment of centers for the reporting of criminal activities at all levels in the province. The efforts of these reporting centers have given impetus to the fight against economic crimes.

(?Lu Jingcheng), deputy chief procurator of the provincial procuratorate and director of the provincial reporting center, made a statement this morning during a news briefing on the progress of work in the reporting centers.

It was reported that the procuratorates of 16 cities and 106 counties and districts in Guangdong have set up their own centers for the reporting of corruption and bribery since March last year. Thus a network of reporting centers supported by the masses has taken shape in the province. Meanwhile, more resources have been devoted to investigation and verification of reported cases; the principle of leniency has been applied, according to the law, to cases involving those who have surrendered themselves to the police; measures have been taken to reward those who informed the police of criminal activities and to safeguard their legitimate rights, and the supervisory role of the public and mass media has been enhanced.

SOUTHWEST REGION

Repatriating Tibetans Pictured Living Normal Lives in Qinghai

OW0903204589 Beijing XINHUA in English 1441 GMT 9 Mar 89

[Text] Xining, March 9 (XINHUA)—Chigancang, 60, was recently elected deputy director of the Commission for Nationalities and Religious Affairs of the Qinghai provincial committee of the Chinese Political Consultative Conference.

He was once among the 100,000 Tibetans who wandered destitute to India, Nepal, and other countries after the abortive armed insurrection staged by the reactionary Tibetan ruling group in 1959.

Chigancang was a leading "living Buddha" at the Rongwu Temple in Qinghai Province in 1957. In order to renovate the "jinding" (golden roof tip) of the temple, he left for India to purchase gold and yellow silk.

In the meantime the Tibetan rebellion broke out and he had to stay in India.

There, he worked for the Tibetan government-in-exile for one year and served at a broadcasting station for another five years, and later he resumed a secular life and made his living by painting and embroidering Buddhist pictures.

Until 1979, when the Chinese Government announced that Tibetans in exile were welcome to visit their home country and the Chinese Government would forgive their past misdeeds, Chigancang, who has been haunted by homesickness for decades, decided to take the risk and pay a visit to his homeland.

During his visit, the unexpectedly warm welcome from the local government, people and lamas convinced him that he should settle permanently, which he did, together with his family, in 1983.

What he regrets most now, Chigancang said, is that the best years of his life were wasted in India.

So far, 146 exiled Tibetans have returned and settled down in Qinghai Province, according to official statistics. Some of them are now government officials, others are teachers, students, or self-employed.

In order to encourage more exiles to return, the provincial government plans to build a six-story apartment block for them in the downtown area of the provincial capital city of Xining.

An official of the provincial government said that about 60 percent of the returned Tibetans were originally from the Tibetan autonomous prefecture of Yushu.

Tashi Lhacang, a 26-year-old woman, who is technical supervisor of a small carpet factory in Yushu, told XINHUA that she returned home with her two-year-old daughter at the expense of a divorce.

When asked why she decided to return, Tashi said, "the attraction of my hometown is so great that I'd prefer to contribute my skills for its construction."

As for Tashi Tobgye, the first one to return home in May 1979, he is now working in the translating and editing section of the province's education department.

Over the past few years, Tashi has contributed a lot to the production of textbooks for Tibetan primary and high school students. He and his colleagues have recently finished translating and editing the Tibetan textbooks for the province's normal schools for nationalities at the prefectural level.

Last year, Tashi was awarded prize and praised by the State Council for his efforts for the development of national education and national unity.

Tibet Government Thanks Soldiers, Police
*OW1203194589 Beijing XINHUA Domestic Service
in Chinese 1402 GMT 12 Mar 89*

[By Wang Hao; Local Broadcast News Service]

[Text] Lhasa, 12 Mar (XINHUA)—Entrusted by the Tibet Autonomous Regional People's Government, the autonomous regional Civil Affairs Department on 11 March called on armed policemen and PLA [People's Liberation Army] commanders and fighters who are enforcing martial law on the streets in Lhasa, as well as armed police soldiers hospitalized in the Armed Police Hospital for wounds sustained while trying to calm the riots. They extended the profound gratitude of the people of all nationalities in Lhasa to all commanders and fighters for safeguarding the streets of this beautiful ancient city day and night.

NORTHEAST REGION

Heilongjiang Acting Governor on Decisionmaking
*OW1003125089 Beijing Domestic Service
in Mandarin 2230 GMT 3 Mar 89*

[Text] Shao Qihui, acting governor of Heilongjiang Province who assumed his office not long ago, addressed the 2nd session of the 7th Heilongjiang Provincial people's congress yesterday. He stressed the need to promote a scientific and democratic approach to decision making and avoid the backward way of thinking and backward way of decision making of the small producer to raise the provincial government's leadership and decision-making ability to a level compatible with its responsibilities.

With regard to this question of the decision-making manner of the provincial government, Shao Qihui declared in no uncertain terms that from now on, the provincial government will make no final decision on any major issue without first conducting a systematic investigation and study and consulting with, and seeking opinions from, experts and scholars. Also, no final decision will be made if there are no more than two proposed plans to compare and select from and if no collective discussion by the leading body is held first. At the same time, to facilitate decision-making by the provincial government on major issues, it is necessary to enhance the advisory role of the three well-organized auxiliary decision-making departments of consultation, information, and supervision.

Shao Qihui also revealed that the Heilongjiang Provincial Government has decided to hold a meeting every 6 months for a comprehensive discussion of the affairs of the provincial administration to be attended by representatives of the consultation departments, experts, and scholars. In addition, the provincial government will use various channels to find out about the new situation, new problems, and new experiences the province has witnessed in the course of carrying out reforms, the open

policy, and economic construction, as well as the pressing and sensitive issues in the province's society. In particular, the provincial government will seek to understand the feelings and wishes of the people at all times to minimize the possibility of making any wrong decisions.

Jilin Takes Steps To Suppress Criminal Offenses
*SK1503071989 Changchun Jilin Provincial Service
in Mandarin 1030 GMT 13 Mar 89*

[Text] In the small hours of 12 March, under the direct leadership of the Jilin City party committee, the city government, and the provincial Public Security Department, more than 4,000 public security cadres and policemen in Jilin City made a quick and sudden attack, fought heroically to win a brilliant victory, and arrested more than 400 active criminals who were guilty of serious violence, robbery, major theft, hooliganism, and rape. This move thus pulled open the curtain to comprehensively encircle and suppress serious criminal offenses.

Since the beginning of this year, the public security situation of Jilin City has been basically stable. However, the number of appalling cases of robbery, theft, hooliganism, and rape which seriously harmed the social order has increased noticeably. These cases disrupted the attempt to improve the economic environment, rectify the economic order, and deepen reform to a certain extent, and affected the people's normal work and order in their livelihood. In this connection, the city party committee and government decided to devote 50 days or so, starting from 25 February, to take united actions to deal blows to criminal offenses, check repulsive social phenomena, purify the general mood of society, and consolidate crowded public places. During the last few days, the public security organs in Jilin City pooled superior armed forces and successively cracked 132 influential major cases and captured 138 arrogant criminals.

The actions to capture criminals in the small hours of 12 March were quick and the achievements brilliant. A total of 11,986 hiding places of criminals were searched and sorted out and a group of criminal gangs was destroyed. As of today, more than 1,000 various criminals have been arrested and much illicitly gotten money and articles captured during the past 7 days.

Shenyang Papers Urge Restoration of 'Spirit of Lei Feng'
*HK0303042889 Beijing ZHONGGUO XINWEN SHE
in Chinese 0708 GMT 2 Mar 89*

[Report: "Newspapers in Shenyang Publish Articles, Urging the 'Restoration of Lei Feng'"]

[Text] Shenyang, 2 Mar—In recent days, newspapers in Shenyang have continuously published articles, urging the "restoration of Lei Feng."

Lei Feng was a squad leader of a certain PLA unit in Shenyang in the 1960's. In 1962, he died while on duty. He was a typical figure who did everything for the benefit of others and nothing for his own. Mao Zedong, Zhou Enlai, Zhu De, and other state leaders at that time wrote inscriptions calling for the people throughout the country to "learn from Lei Feng." Lei Feng became a model of the people of a generation. However, in recent years, learning from Lei Feng was treated coldly by some people.

According to some persons in press circles here, pictures of Lei Feng have appeared in the West Point Military Academy of the United States. Academy authorities have clearly stated that Lei Feng must be regarded as a model. However, some people at home said that he was an "incurable fool," an antithesis of reform, and garbage of the times. Therefore, he should be discarded. This idea has truly run counter to the civilization of mankind.

China is the birthplace of the spirit of Lei Feng. Today when we are implementing a policy of reform and opening up, and developing a commodity economy, we should still regard attaching importance to the norms of morality and civilization as the values of mankind. At present, when children are drowning in the water, nobody comes to rescue them. When some people are fighting, there are many onlookers, but nobody wants to mediate to stop the fighting. These matters happen very often in society today. Therefore, many people ask desperately: "Lei Feng, where are you?"

However, people here also realize that it is not easy to restore Lei Feng's spirit, and that certain social conditions and a good social environment are needed. Efforts must be made to eliminate the corrosion of "money fetishism," and to encourage healthy trends in the society.

Arbitration Agency in Shenyang Handles 500 Personnel Transfers
OW1303034989 Beijing XINHUA in English
1035 GMT 10 Mar 89

[Text] Shenyang, March 10 (XINHUA)—Shenyang's arbitration agency which mediates in personnel transfers, the first of its kind in the country, has so far dealt with over 500 cases.

Liu Zhishan, head of the agency, told XINHUA that 7,500 people changed jobs in the northeast China city last year.

Xia Chun, a 28-year-old technician, got a job in a Sino-United States joint venture through the agency.

Liu said that the agency not only works for people like Xia but also for enterprises. He explained that in the wake of the open-door policy, more people are wanting to change jobs as they see better opportunities opening up.

XINHUA has learned that in Guangdong Province and Beijing, similar agencies have appeared one after another as well.

NORTHWEST REGION

Cultural Development in Xinjiang
40050232 Urumqi XINJIANG SHEHUI KEXUE
[SOCIAL SCIENCES IN XINJIANG] in Chinese
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[Article by Qun Xin 5028 2450: "Making Xinjiang Culture More Competitive and Market-Oriented"]

[Text] Marxists hold that culture is the sum total of the material and spiritual wealth accumulated by mankind in his social historical practice. Accordingly, culture can be divided into material culture and spiritual culture. In a narrow sense, culture coincides with spiritual culture and includes all phenomena directly related to spiritual production. In China, culture is also often associated with sports. Therefore, we have defined culture here to include art and literature, news and publishing, broadcasting, television, drama, films, books, and sports.

To some people, the backwardness of Xinjiang is primarily economic backwardness. This view is far from wrong, but it is one-sided. In our opinion, cultural backwardness is both an important manifestation of the region's backwardness and a major factor behind such backwardness. It will benefit Xinjiang's political and economic development enormously if we can face up to this issue and intensify cultural construction in Xinjiang.

I. The Strategic Position of Cultural Development in Xinjiang

Culture is one of the gauges of human social progress. Cultural construction is a key component of all sorts of constructions in society. A real society is organically composed of a number of systems—the economy, politics, geopolitics, and culture, which are interdependent and interacting and so closely interrelated as to be inseparable. Economic development fuels cultural flowering, which, in turn, directly drives the material wellspring of society—its economy—and is the engine of the progression and transformation of human history. Like strategic studies in politics, economics, science and technology, and education, cultural development strategic studies is an important topic in China's current push for reform and opening to the outside world in the course of socialist modernization. To date, we must address the cultural issue in the context of socialist construction overall.

A. The Role of Xinjiang's Outstanding Historical and Cultural Legacy in the Building of a Socialist Spiritual Civilization

Owing to differences in historical conditions, every nationality has a rich cultural legacy with its own characteristics. The Chinese culture of today is the result of

the innovation and development of the history and culture created by the ancient Chinese people. The culture created by the various nationalities in Xinjiang is an integral part of the culture of the Chinese people. Xinjiang history was full of eminent scientists, thinkers, historians, linguists, artists, translators, and poets. In architecture, arts, music, dance, poetry, and mythology, especially, the cultures of the minority nationalities each have their own cultural uniqueness. Such splendid treasures have added great luster to the fatherland's cultural treasure trove. This fine historical cultural legacy occupies an important position in the building of a socialist spiritual civilization today. This is because an important characteristic of culture is continuity and transmittability. Without the culture of our forefathers, we would not have today's culture. Socialist culture is the enrichment and refinement of our historical cultural legacy. To create a Xinjiang culture with local and national attributes, we must draw on the region's historical cultural legacy. And although national cultural development must entail the absorption of external culture, this must be done selectively so that whatever we absorb from outside becomes an integral part of the national culture, vitalizing and energizing it. If we pursue things foreign blindly, we would end up ignoring the fundamentals in favor of the incidental and losing our national and local characteristics and hence our very vitality.

B. Cultural development must not only proceed in tandem with economic construction but also play a major part in economic development.

Both the economy and culture are the cornerstone of the edifice of socialism and are closely related. Economic construction determines cultural development. The latter, in turn, reinforces economic development. The two must develop in a coordinated way. Reform and the open policy have injected new life into the Xinjiang economy; the commodity economy has germinated and is now growing with a strong momentum. However, the incompatibility between cultural development and economic development has raised all sorts of barriers to the latter. A predatory style of land management has appeared in some localities today. This is the result not only of a lack of scientific knowledge about the protection of natural vegetation and the preservation of the ecological balance, but also of a deeply imbedded hedonism, a desire to do no more than survive, and selfishness. Some people are not psychologically prepared to cope with the new conditions and new issues that have appeared in the course of reform, a pathological state of affairs that results from our failure to create a commodity economy for many years. The resultant ultra-stable living space where everything is absolutely guaranteed has turned out to be a breeding ground of obsolete ideas. In the wake of economic development, extravagance and waste have gotten out of hands in some areas. Superstition is pervasive, gambling is on the rise, and religious forces are in the ascendant. One cannot but attribute this to cultural backwardness, a monotonous and drab lifestyle, and spiritual emptiness. This shows that when

culture and other related ideas cannot upgrade themselves in line with economic development, the latter would be impeded and we will end up being constrained by what we ourselves have wrought.

How did this situation come about? Why is the gap between Xinjiang and developed areas widening in recent years? Apart from objective factors such as geography, a major reason is our fragile cultural and educational base and the slow pace of cultural development. In the past we often over-emphasized the subordination of culture to the economy, even assuming that the subordinate relationship was a balanced relationship. Culture was regarded as an appendage of the economy and never given proper attention. Old ideas and conventions have severely hampered our thinking. In accordance with the general laws of historical development, culture, and the economy should develop in a coordinated way, not advancing at the same pace all the time, but with one overtaking the other now and then. It has now become essential to reform and the open policy to take cultural construction seriously and ensure that it does not lag behind economic development.

C. A flourishing culture and an improvement in the cultural caliber of the masses are indispensable to political democratization and the exercise of autonomy.

The democratization of socialist political life is a prerequisite for the democratization of cultural life. Without the former, the latter cannot happen. But a flourishing culture and an improvement in the cultural caliber of the masses are themselves necessary for the achievement of democratization. Autocracy is based on a policy of keeping the people ignorant. Ignorance and autocracy make the best bedfellows. Democracy is based on an enlightened public. Science, culture, and political democracy are indispensable. We still have a long way to go before the principles of socialist democracy, already well-established in China, are translated into mass action. In areas inhabited by minority nationalities, the biggest problem now is the very low cultural level among the masses, which makes it hard for them to shake off ignorance and backwardness. Feudal autocracy and the notion of stratification are deeply imbedded in public consciousness. Backwardness breeds "blind loyalty" and "submissiveness," which affect the improvement of democratic quality and even lacks the minimum democratic consciousness and habits, not to mention the consciousness of political participation. This is a major barrier to the democratization of socialist political life. Cultural backwardness gives rise to a poor democratic culture with a weak consciousness of political participation, thereby complicating policy-making at the higher levels and impeding economic and cultural development in minority-inhabited areas. This has a direct impact on the progress of democratic construction in minority-inhabited areas and the entire nation.

The level of culture also directly influences the exercise of autonomy by autonomous institutions. Political institutions in minority-inhabited areas are unique. On the

one hand, they enforce the orders of the central government just like other political authorities. On the other hand, they possess an autonomy absent from non-minority regions. Such autonomy is conferred by the state on minority areas so that they can more effectively be their own masters, manage their own internal affairs, and promote political, economic, cultural, and other developments. So far, however, the autonomous region has not promulgated autonomy regulations or many specific regulations. The main reason is that for years cultural backwardness and poor cultural quality have long precluded better policies and better laws and hence limited the exercise of autonomy by autonomous institutions. It can thus be seen that an aggressive effort to develop culture and education in the minority-inhabited areas and upgrade the cultural level of the people of the various nationalities is indispensable to fostering their sense of political participation and ensuring their exercise of autonomous right given them by the constitution and laws.

D. Cultural development is a critical condition for raising public consciousness and improving the moral tone of society.

First of all, cultural development will help raise the theoretical level of the various nationalities so that they will better understand the party's lines, principles, and policies and consciously relate them to realities in the minority-inhabited area. Second, the masses are both the recipients of cultural development and its creators. Through a variety of vivid and lively cultural forms reflecting human pursuit of the true, the good, and the beautiful, cultural development can enrich and elevate the human spirit. Thirdly, through their historical development over the years, all nationalities have formed their own customs, practices, and ideas. Today we must select what history has bequeathed us discriminately, based on a higher cultural and moral tone; preserve and further fine traditions; improve the masses' level of ethics and climb the ladder of civilization.

The essence of culture is to pursue human sublimation, to influence human thought and moral values directly and indirectly through aesthetic relationships so as to enrich the human spirit and purify his mind. History proves that the culture of any one era invariably permeates a particular ideology and is made use of in a certain way. An advanced ideology must absorb the essence of the culture of its era for its own ideological sustenance. Scientific communism, for instance, is the crystallization and the refinement of all that which is good in human cultural achievements. Therefore, cultural development is an essential condition for ideological reawakening and for an improvement in ethical standards.

E. Cultural development helps open the region to the outside world.

Situated at the motherland's northwestern frontier and sharing a border with India, Pakistan, Mongolia, and the Soviet Union, Xinjiang is strategically located in Eurasia, a fact which objectively enables it to open to the

outside world. Even more notable is Xinjiang's unique cultural composition. Xinjiang is a melting pot of various cultures, including Arab culture and that of the central plain. Even today minority nationalities in Xinjiang who are followers of Islam are still heavily influenced by the Islam culture, which facilitates intercourse between Xinjiang and various Arab nations.

The development of Xinjiang culture will help open Xinjiang to the outside world and promote international economic and cultural exchange. A Japanese expert said, "Japan should work itself into the Greater Islam Sphere. And it can best channel its capital through Xinjiang." The fact that Xinjiang is separated from the domestic market by a vast distance but is close to the international market is a big plus for the open policy. Besides, Xinjiang culture shares some roots with that of the Islam world. By capitalizing on the strengths of the Islam culture of Xinjiang and aggressively opening up the market in the Middle East and West Asia, we may revive the Silk Road, which dazzled the world 2,000 years ago with all its radiant splendor.

II. The Present State of the Development of Xinjiang Culture

Xinjiang culture has developed apace after new China was created. In the last few years, in particular, propelled by reform and the open policy, there has been rapid healthy cultural development, as manifested primarily by the following:

A. Cultural facilities have increased, providing the material conditions for cultural development. In recent years, Xinjiang has built a number of cultural centers, art galleries, museums, theaters, sports stadiums, bookstores, and playgrounds. At present the entire region boasts 836 cultural centers, 61 libraries, and 3.3 million volumes of books. The rudiments of a four-level—regional, prefectural, municipal or county, and village—mass cultural network are now in place. Economically backward and financially strapped as they are, many municipalities and counties still set aside a substantial portion of their budget as a special fund for cultural facilities. Considerable progress has also been made in radio and television broadcasting, films, and sports. There are now 12 sports teams, 9 publishing houses, 5 satellite ground receiving stations, 19 broadcasting relay stations, and 6,919 pieces of relics stored in 27 cultural organizations. Tianshan Movie Studio resumed producing feature films in 1976. Currently there are 94 studios and 2,525 film-showing units with 9,844 personnel in the entire region.

B. Social culture has been developing rapidly in urban and rural areas throughout the region and the idea of "great culture" has begun to take shape. The antenna of culture are gradually extending to all areas of social life, including art and literature, radio and television, ballad singing, story-telling, acrobatics, painting, calligraphy, music, sports, and chess. As for forms, the first to make

a strong comeback in agricultural and pastoral areas were traditional folk art and sports. Then there are music tea-houses in cities and all sorts of cultural activity halls in rural areas, together with multiple forms of enterprise culture, organizational culture, and family culture. Besides providing enjoyment and entertainment, mass cultural activities soon took on the important task of improving the cultural and scientific level and ethical standards of workers. In agricultural and pastoral areas, cultural centers began functioning as the "four centers," namely the party's policy propaganda centers, scientific information dissemination centers, off-hour entertainment centers, and CYL branch activities centers. All kinds of training courses in scientific farming, variety improvement, breeding, and culture have clearly paid off socially and economically. Individual and special cultural households have appeared. Jitai County alone boasts 88 such households, including 28 individual film households. These activities, which are closely interwoven with production, living, and social needs, have greatly enriched mass culture and enabled cultural centers to fulfill their role as the disseminators of culture. In the process, mass culture has become an embryonic multi-purpose great culture that is educational, informative, entertaining, and interesting.

C. Art and culture with local and national characteristics has made considerable progress.

The region now boasts 105 troupes of professional performers. Inheriting and furthering the traditional art of all nationalities, they have created and staged a large number of shows and made new breakthroughs in the creation of artistic works that are rich with local and national characteristics. A host of dramas and plays, represented by "Ai Li Fu and Sai Nai Mu," "Sa Li Ha Sa Man," "The Peony in a Snowstorm," "Joyful Songs in Tianshan Mountains," and "Song and Dance of Guici" epitomize the new achievements in national performing arts. The Institute of Art has discovered and rearranged numerous traditional artistic works. In 1986 and 1987, Xinjiang captured 78 awards, including 15 gold medals and first prizes in national artistic and literary competitions. Striking progress has been made in the dubbing and tape-recording of minority-language films. Between 1958 and June 1987, a total of 506 films were dubbed, including some which were praised as the nation's most outstanding dubbed minority-language films in recent years.

D. Increasing Cultural Exchange With the Outside World

Since 1986, Xinjiang has stepped up cultural exchange with the outside world by sending artistic organizations overseas to perform and visit and inviting foreign cultural and artistic organizations and individuals to visit Xinjiang. Such friendly exchange, which is increasing by the day, has introduced to foreigners the outstanding cultural legacy of minority nationalities as well as broadened our horizon and given us an opportunity to learn

and draw on foreign experience. This not only benefits the development of art but also introduces Chinese culture to the world and enables us to understand the fine cultures of the world.

Cultural undertakings in Xinjiang, starting from ground zero, have gradually developed in magnitude. Their achievements are striking. However, since our region achieved with very little economically and culturally and has developed unevenly, there is still a wide gap between us and other provinces and regions, particularly developed provinces and regions, as far as cultural undertakings are concerned. To date Xinjiang culture faces many problems that need to be resolved urgently. Among the more glaring ones are:

A. Cultural development has lagged behind economic development. The two need to be further synchronized and coordinated. As reform and the open policy went under way, Xinjiang economy has made rapid progress in recent years, with steady increases in the gross value of industrial and agricultural output year after year. Meanwhile, the pace of cultural development, whether vertical or horizontal, has been sluggish. In 1985, as part of economic structural reform, financial power was delegated to localities. This resulted in a drop in cultural funding in most localities. Without funding, many cultural units could not carry out their activities and cultural undertakings in Xinjiang suffered a steady decline compared to other places in the nation. Comrade Song Hanliang [1345 3352 5328], secretary of the regional CPC committee, noted recently, "The autonomous region has not done well enough in national music and dance competitions in recent years. This is incompatible with our status as the 'land of song and dance.'" At the Sixth National Games, Xinjiang for the first time failed to capture a single gold medal and was ranked 26th nationwide, a drop of 6 places, which came as a shock to the whole region. Four years ago, 2 million peasants and herdsmen had no access to films, a situation which has only deteriorated in recent years.

B. The reform of cultural undertakings has been slow and a number of longstanding weaknesses remain unresolved. Owing to the absence of coordination from top to bottom involving all the departments concerned and of tough policies, certain irrationalities have proved resistant to change: 1) The absence of a qualified personnel circulation system. Some departments are over-staffed; for example, the various professional performing troupes are over-staffed by 26 to 40 percent on the average. Meanwhile, other departments are understaffed. For instance, the region's current 595 cultural centers have only 215 professional cadres (despite regulations requiring one special cadre for each center.) 2) Irrational distribution system. These days organizations are still "eating from the big rice pot" at the expense of the state and individuals are doing likewise at the expense of the organizations. This is no way to mobilize the enthusiasm of the personnel to compete with and outperform one another. 3) The unjustifiable distribution of professional

artistic troupes. In areas with an over-concentration of troupes, supply exceeds demand. For instance, the 37 counties in 5 prefectures and 5 municipalities in southern Xinjiang, with a combined population of 6,294,300 people, have 40 professional troupes, most of them performing similar folk dances and music. On the other hand, some local theatrical companies lack a core audience. Places that practice national autonomy cannot have failed to take into consideration the interests of sizeable audiences who do not belong to the dominant minority nationality. 4) Under the present management system, the chain of command is too long and cultural institutions and units suffer from over-control by the departments in charge, which dampens initiative and enthusiasm.

C. Little progress has been made in the quality of culture.

What the masses need is a multi-level good-quality cultural life. We must increase cultural products not only of a popular nature, but also of an elevating quality. The backwardness of Xinjiang culture is particularly notable when it comes to the production of high-grade cultural products. Xinjiang's cultural products have barely been touched by the "northwest" mania in literature and art that gripped the nation in the past few years. No major breakthroughs have been made in folk dance and music, long the pride of Xinjiang. Films and television are of an indifferent quality. Local theatrical companies largely rehash and touch up their traditional repertoire instead of innovating. In sports, Xinjiang does poorly in all events in national competitions; it lacks outstanding athletes and can boast of no top performers. What are the reasons behind all this? Apart from objective material conditions, there are these two major subjective factors: 1) Poor quality. In the final analysis, the quality of cultural products is determined by the political, cultural, and technical caliber of cultural workers. A common problem today is the low quality of cultural workers in the region. Of its current 18,000 cultural workers, 54 percent have a junior high education or less, while 20 percent have a post-secondary education. 2) Aging. Of the present corps of cultural and artistic cadres, 16 percent are over 56 years of age, 48 percent between 46 and 55, 18 percent between 36 and 45, and only 18 percent are below 35 years of age. This situation testifies to the anemic condition of Xinjiang's cultural corps.

III. Factors Limiting Cultural Development in Xinjiang

Cultural development is naturally subject to many factors, particularly in culturally backward areas. In the case of Xinjiang, it flourished for a few centuries when the Silk Road was unimpeded. Later, as ocean shipping developed and warfare flared up in Central Asia, the Silk Road was rerouted. Besides, just as the Song Dynasty was too weak to turn its attention to the West, religious wars broke out frequently, from which the economy of the Western Regions never recovered. Culturally, too, Xinjiang stagnated. Moreover, Xinjiang is inhabited by a multitude of nationalities. For a variety of reasons, the social development of these nationalities trailed behind

that of the heartland. In addition, there are wide disparities in economic and cultural development among these nationalities, so the situation is highly complicated. Most members of the minority nationalities are religious followers. Their religiosity has restricted them spiritually and affected their social life. This has hemmed in the region's cultural development as well as political and social development. Thus, any study of the development strategy of Xinjiang culture must be based on facts and pay attention to the unique factors that have limited the region's cultural development even as it tries to understand the common factors that have contributed to economic and cultural backwardness in minority-inhabited areas. Our exploration must be based on such understanding.

A. The Influence of the Characteristics of an Oasis Economy

Situated at the heart of Eurasia and far away from the ocean, Xinjiang is encircled by high mountains alternating with inland basins. Gobi Desert takes up 25 percent of this arid land, where the centers of human activities and production are oases with their limited but independent ecologies. Large and small, oases ring the two major basins like a string of beads, forming an oasis economy unique to the region. Geomorphologically, it is an isolated economy. Territorially, it is fragmented. Structurally, it is homogeneous. These three characteristics have shaped Xinjiang culture in the same way that genes shape a living cell.

First, isolation. The culture has frozen and is difficult to remold, reshape, and develop.

Xinjiang as a whole is an inland isolated region. Within this huge geographical land form are economic and cultural sub-regions centered on oases. Surrounded by vast stretches of desert, these sub-regions conduct most of their economic and cultural activities within their confines. The dual isolation of this natural environment makes the natural economy almost impregnable. It takes social practice involving multiple inter-personal relations to bring out the intelligence of an individual. The same applies to the intelligence of a nation or region. A nation which is isolated from the world cannot emerge from its primitive state of ignorance, barbarism, and backwardness. Nor it is possible for a completely isolated region to give birth to an advanced culture. Ancient Xinjiang created a glorious culture precisely because the Silk Road made an opening in the wall of dual isolation, enabling Xinjiang culture to shed its ignorance and backwardness. The result was a golden era of great cultural exchange and development. Since ocean shipping replaced the caravan on the Silk Road, isolation re-descended on Xinjiang. With its backward productive forces, it failed to crack the wall of isolation built by nature, a wall that greatly reduced exchange and assimilation between the cultures of different regions and nations and retarded their development. Owing to the

lack of inter-culture mutual stimulation, Xinjiang culture made little headway in the several centuries before liberation, with hardly any development and innovation. In most areas, particularly pastoral areas, a primitive culture was frozen in time.

Second, fragmentation—shallow local cultural roots.

Oases in Xinjiang are small islands separated by vast stretches of arid land forming the Gobi Desert. Of widely different sizes, they resemble green leaves scattered across a boundless sea of sand. Some of the larger ones are often the seat of administrative offices (eg., the current prefectural and county governments) and serve as the political, economic, and cultural centers of the region concerned. Other oases are so small (a hundred mu or less in area) that they are no more than a natural village, a small production point. Pishan County in southern Xinjiang, for instance, covers more than 50 small oases. Given their backward productive forces, the economic and cultural activities of an oasis inevitably are circumscribed by its size and the spatial distance between the oasis and its neighbors. As a result, their economies and cultures differ substantially in scale.

Geographical fragmentation and smallness necessarily hem in cultural development, precluding the formation of an influential and penetrating culture or the creation of a locally based culture that is powerful and can stand up to outside cultures, particularly those that can keep up with modernization. This fragile kind of culture was highly vulnerable to the turbulence of historical change. Looking at Xinjiang history, we see that a number of nations that were once very powerful have vanished because of deterioration in the natural conditions, warfare, and unrest. Their precious cultures too have often been swallowed up in the dust-storm.

Third, homogeneity—lacking the internal drive for cultural development.

Constrained by its own and environmental conditions and because of the absence of the changes of a vertical mountain nature belt, the oasis economy militates against the development of diversified farming, of a vertical agriculture, and of multiple processing industries. The homogeneity of the oasis economy is epitomized by mono-culture, which necessarily hampers cultural activities. Parallel with this mono-culture is a pattern of cultural development which remains in a perpetual state of isolation. In both substance and form, it changes little over a long period of time. Seldom do changes in the ranks and structure of intellectuals lead to changes in quality, and seldom does an era leave its clear footprints on cultural development.

To sum up, it is clear that the oasis economy has constrained the development of Xinjiang culture in history. After almost 40 years of effort following liberation, Xinjiang's economy and culture have undergone tremendous changes and made considerable progress.

But owing to its low starting point, fragile foundation, and poor conditions, Xinjiang's economy is still very backward compared to the interior's. Correspondingly, Xinjiang's culture has also developed in a highly uneven fashion. One fact is clear: in areas where oases are large, fairly concentrated, and separated from one another by short distances, and which are thickly crisscrossed with transportation routes, cultural development is faster and of a higher level. An example is the Urumqi-Shehezi-Kelamayi area. In contrast, in areas where oases are smaller and widely scattered, and which have few transportation routes, such as the Hetian area in southern Xinjiang, cultural development is slower and of a lower standard. This situation reminds us again that the characteristics of the oasis economy will continue to severely hamper Xinjiang cultural and economic development for a long time to come.

B. The Dual Influence of Religion

Religion itself is a kind of culture with rich content, embracing as it does philosophy, theology, ethics, literature, and art. By accepting a religion, a nation accepts a culture. On the negative side, religion suppresses public consciousness. On the positive side, it enriches the spiritual culture of a nation. Every milestone in the progress of Xinjiang culture has a lot to do with the acceptance of religion. The influence of religion on Xinjiang culture is two-fold. It has enriched it as well as it constrained it.

Saman Sect, Moni Sect, Buddhism, Christianity, Taoism, and Islam have all had an impact on Xinjiang. Of these religions, Buddhism and Islam played a particularly important role in promoting cultural development in ancient Xinjiang. Guici culture, for instance, is closely related to Buddhism, which was introduced into Guici around the birth of Christ and was widely disseminated throughout Guici by the middle of the 3rd century. Between the 10th and 11th centuries, the Hui nationality embraced Islam, whose entry into Xinjiang was accompanied by Persian culture and Arab culture, greatly enriching Uygur culture.

Even as we take note of the positive side of religion, we must pay even closer attention to its negative effect on cultural development. It is in economically and culturally backward areas where the local cultural base is weak to begin with that religion is at its most powerful and penetrating, leaving an imprint on people's beliefs, psychology, consciousness, values, morals, daily habits, and social life as a whole. Apart from shackling a people's spirit, a religious culture is also inherently and highly exclusive. That is, it rejects absorbing and even coming into contact with other cultures. When all or most of the residents of an area are followers of a religion, particularly when their national consciousness, nationalism, and sense of national belonging of these people are interwoven with religion, the exclusive nature of religious culture will lead to the homogenization and self-isolation of the culture of this area. The result is cultural stagnation.

That Xinjiang culture has made little progress in modern times is intimately linked to the exclusiveness of the religion it has embraced. So far the land of song and dance has failed to produce any music or dance with a national impact. While the reasons are many, they all have something to do with religious exclusiveness. Certainly, such exclusiveness does not manifest itself completely in religious garb to date. This is because after several centuries, religious culture has become part of the psyche and habits of the people. Not for a moment can we ignore or underestimate the influence of religious culture. If a nation fails to appreciate the dualism of religion or examine in earnest the sharp conflict between Xinjiang's traditional religion and modernization, its cultural development would be hampered and it cannot join the ranks of advanced cultures in the world.

C. The Trammels of Closed and Conservative Cultural Concepts

Cultural development requires an innovative spirit and a three-dimensional all-embracing vision on our part. In today's macro-environment of reform and openness, some of our comrades still have not liberated their ideas. Their cultural concepts are incompatible with the needs of development, as mainly demonstrated in the following ways:

1. In terms of guiding thought, the inertia bred by 30 years of depending on the higher authorities to issue instructions regarding investment in cultural activities is still widespread. In our investigation, we met many comrades in cultural work who complained that they "do not know what to do"—the instructions from above are not clear enough and regulations are not specific enough, leaving them helpless in the face of new problems and new issues that have arisen—and that "there is nothing they can do," what with the weak foundation below and meager investments from above. To a certain extent, conservative ideas still prevail in cultural work. There is a wait-and-see attitude, a desire for stability, and a fear of chaos. Absent is a bold, pioneering, and innovating spirit.

2. There is inadequate understanding of the role of cultural undertakings in a commodity economy. No efforts are made to nurture the concept of a "great culture" that is open and conducive to the development of productive forces. A large number of cultural centers are not aware of their role of serving economic construction, the development of a commodity economy, and the enrichment of the masses, confining their work instead to "little culture" of a pure entertainment mold.

3. There is an emphasis on short-term strategic objectives, on the establishment of network points, and on tangible facilities, while overlooking long-term comprehensive development, consolidation, and the training and utilization of qualified personnel. There is an impatience for quick success and instant benefits, while neglecting to improve cultural quality in an all-round way. Cultural construction in remote agricultural and pastoral areas has been overlooked. In many areas,

libraries were set up only to remain without a site for a long time. In other places, cultural centers were opened but actually remained in warehouses. A number of remote pastoral areas are still in the natural state of primitive culture to date.

4. As far as management and policy-making are concerned, cultural organizations and units are over-managed using traditional management methods. No studies have been done on the laws of cultural development. No appropriate advisory or consulting organizations (such as agencies that consider artistic and literary policy at the various levels) exist to provide the leaders with a macro policy.

5. Traditionally Xinjiang prided itself on being the "land of song and dance" and has turned a blind eye to the trends in foreign and domestic cultural studies and development. With the excuse of "preserving the local and national characteristics of Xinjiang culture," the region has balked at actively studying and learning from art and literature that include elements of foreign and domestic cultures, even rejecting them on the grounds that they are "incompatible with regional and national conditions." Within the region itself, the development of the cultural resources of the non-dominant minority nationalities had not received its due attention. The excavation and preservation of relics is poorly done, causing extensive losses. Although cultural intercourse with the outside world has been increasing steadily, with more and more activities and exchange, the level of cultural development, particularly the quality of cultural products, has not improved commensurately due to a variety of reasons. Striking breakthroughs and innovations have so far proved illusive.

Finally, it should be stressed that the obsolete idea that cultural undertakings are mere entertainment and diversion, a "soft" task that does not require a good deal of effort, is still widely held among a large number of people, especially leading cadres at all levels. Cultural development has not received the priority it deserves in society. This is clear from one simple fact: cultural funding as a share of Xinjiang's total expenditures has been falling in the past 2 years. In 1987, per capita cultural funding (excluding investments in cultural undertakings) in Xinjiang was a mere 0.098 yuan, a far cry from the national figure of 0.90 yuan, and seriously out of step with the steady increases in production, income, and daily consumption level year after year.

IV. Thinking on the Development Strategy of Xinjiang Culture

The development strategy of Xinjiang culture is to base ourselves on the actual conditions in Xinjiang, proceed from the current state of cultural work in the region, and, with a long-term development viewpoint, understand and make plans for cultural work today and tomorrow in a macro-comprehensive way.

A. Guiding thought behind cultural development strategy. A cultural development strategy needs a clear guiding philosophy and struggle objectives. It is a signpost that sets the direction for cultural development within a specified period of time.

1. Cultural development in Xinjiang must be guided by Marxism. It must be oriented to the world, to the future, and to modernization. It must firmly separate the wheat from the chaff in traditional and foreign cultures, making the past serve the present and foreign things serve China. It must encourage cultural exchange between the various nationalities so that their cultures can develop simultaneously, thereby forming a Xinjiang national culture that is highly evocative of the times, has distinct local and national characteristics, and can serve socialist modernization.

2. In developing Xinjiang culture, one must proceed from the fact that the minorities today are economically and culturally backward and that there are extreme regional imbalances. The basic goal of cultural development is to inspire national pride, national confidence, and national feelings. An effort must be made to create a favorable cultural environment where the nationalities themselves would feel an inward urge to demand change and sort out their traditional national culture conscientiously and voluntarily in order to rid themselves of the heavy burden of whatever is inherited from the past, enhance the inward dynamism and adaptability of their national culture, and renew it.

3. Xinjiang cultural development must be steadfastly scientific, modern, national, and populist. It must be consistent with the objective principles of cultural development and in line with the level of socioeconomic development, and satisfies the requirements of the prosperity of all nationalities. Cultural policies must be of a long-term nature and must display stability and continuity. They must help unify the various nationalities in the border areas, develop their cultural resources, mobilize the creativity and enthusiasm of cultural workers to the greatest extent possible, reconcile social interests with economic interests, nurture the self-development capacity of cultural institutions and units, and train a new generation of intellectuals from each nationality to build up a cultural contingent.

4. Cultural development in Xinjiang must meet the requirements of the intensification of reform and the furthering of the policy of opening to the outside world. The development of cultural undertakings must be fueled with the spirit of reform, the spirit of breaking new ground. We must propagate the diverse national and local characteristics of Xinjiang culture and establish Xinjiang as the "land of song and dance" and a meeting point between the cultures of West and Central Asia and that of the Central Plains. We must make the modern Silk Road a door to the exchange between Eastern and Western cultures.

B. Goals and Tasks of the Cultural Development Strategy

If we proceed strategically, we should not take care of all areas in culture in equal measure, let alone crudely knock together a plan for every sector of culture. Instead we should consider Xinjiang culture comprehensively, defining the role and position of each sector in the overall cultural development of Xinjiang and their relations with one another, and put forward the most basic tasks of regional cultural development. This is an issue that needs to be explored further. Our preliminary ideas are as follows:

1. Take the improvement of the quality of the cultures of minority nationalities as our primary goal, promote national unity, and kindle their desire to improve themselves. Cultural work in the past revolved around providing a wide range of entertainment. Now we must shift the focus so that cultural work becomes primarily intellectual development of a multi-discipline, multi-genre, and multi-level variety. We must utilize all the advantages of modern social life to cleanse public thinking of everything that is incompatible with modernization; change people's views and attitudes of life, ethics, values; expand their knowledge; broaden their thinking and horizon; dismantle the national cultural barriers resulting from years of natural and social isolation; and promote the exchange of culture and ideas between different nationalities in order to intensify national unity, national pride, and national confidence, and fire their spirit of forging ahead assiduously.

2. Step up the construction of cultural facilities and gradually build up an urban and rural network of cultural facilities which are multi-level and well distributed.

In times of budgetary restraint, we should make cultural investment in accordance with these principles: "Better withhold funding from certain areas for a short period of time than distribute funding widely over the entire spectrum of culture on a long-term basis." In other words, we should set priorities and phase in projects one after another in accordance with a plan, in contrast to the past when we frittered away the funds over a wide area. That way we can do a more solid job in building up cultural facilities. In the near future, we should focus on increasing and expanding mobile facilities of a disseminating nature, developing the network of radio and television broadcasting, and significantly increasing mobile cultural service projects, eg., library vehicles, propaganda vehicles, and small artistic and literary light cavalry teams. We should put together a number of facilities that are suited to economic development and are fairly modern, at the same time making an effort to transform existing facilities by introducing new technology and equipment. For instance, we should update the typesetting and printing technology of departments specializing in minority-language publishing and translation and improve the technology of relic excavation and preservation in order to modernize the technology and

methods of cultural undertakings. The distribution of facilities throughout Xinjiang must be improved and the construction of facilities in agricultural and pastoral areas must be stepped up so as to create a four-tier system of cultural facilities from the regional through the prefectural and county (municipal) to the township and village (point) levels.

3. Reform the system and adjust the structure to create a dynamic and balanced production system of spiritual products.

The current cultural management system in Xinjiang is overly rigid and restrictive, creating widespread problems like departmental overlapping, over-staffing, and inertia. Inter-departmental imbalances are worsening by the day, along with the gaps between supply and demand. Thus we need to reform the existing cultural management system in accordance with the objective principles of cultural development and enhance the vitality of all kinds of cultural enterprises and institutions to ensure their coordinated development. With the exception of a number of special cultural units, all cultural enterprises and units should put an end to "institutionalization" and the practice of "eating off the big rice pot" and become less dependent on the state. They should also be given greater autonomy. We should establish and perfect various management systems, develop and improve their self-renewal and self-development capacity, and gradually turn them into independent cultural entities.

Cultural management and administrative departments at all levels should delegate professional authority to the cultural units below. It is the responsibility of government departments in charge to make comprehensive plans for cultural development, draw up policies in accordance with the principle of combining social interests and economic interests, adjust the distribution and structure of cultural undertakings, and guide cultural entities in conducting their activities independently.

The internal structure of cultural undertakings must be readjusted properly. At present it seems that we should concentrate on minority-language publishing, television and film dubbing and distribution, and national cultural relics excavation and research. Also, we should sort out the relations between sophisticated and popular cultures, step up our guidance of folk culture and bazaar culture, pay attention to the development of the cultures of non-dominant minorities, and make appropriate arrangements for the cultural life of those minorities in certain autonomous areas. We should make sure that the various cultural departments develop in a coordinated and effective way and that they come up with more spiritual cultural products that appeal to both the more and less cultured, the old and the young, and the masses of all nationalities.

4. Actively train qualified national personnel and establish a formidable and high-standard cultural corps that will be influential at home and abroad.

The cultural corps is the mainstay of cultural development and a prerequisite for the flourishing of a culture. To step up the construction of the cultural corps is to ensure that Xinjiang cultural undertakings will thrive. We must lose no time in selecting relatively young comrades who are capable and dedicated to their work and have a strong sense of responsibility and a high standard of policies and thinking and appoint them to leadership positions in all cultural departments and units. It is proposed that qualified institutions of higher education offer professional cultural management courses so as to raise the political, cultural, and professional caliber of cadres in cultural management. At the same time, steps should be taken to improve the evaluation, selection, utilization, transfer, and retirement systems of members of the cultural corps in order to institutionalize their training, utilization, and adjustment.

We must increase intellectual investments, raise the caliber of the entire cultural corps, and make poor-quality cultural cadres a thing of the past. We must also end the existing acute shortage of production, directing, and training personnel. Using a mix of short-term and long-term measures, full-time and part-time courses, and higher education and secondary education, we must train all kinds of qualified personnel, particularly those from minority nationalities.

The illogical art education management system must be reformed. The development of art education, teaching in art institutions, and the performance of artistic and literary organizations must be coordinated in a planned way. Young cultural workers of all nationalities must be given more opportunities to practice and perform and more sites should be made available for such performances. In addition, the training of qualified personnel should be organically integrated with international and domestic cultural exchange.

Cultural policies should be formulated to turn out more qualified personnel faster. For example, we may introduce a recruitment system, allow the circulation of qualified personnel, raise wages, and "encourage people to outshine one another." We should make Xinjiang very appealing to all kinds of qualified personnel in culture, particularly those at the high level. At the same time, we should strengthen and stabilize the cultural corps at the grassroots level and revive our reputation as the "land of song and dance."

5. Create an atmosphere favorable to cultural exchange and significantly increase cultural exchange with the rest of the country and foreign nations.

Cultural exchange is the driving force of cultural development. Only through interactions with various cultures can a national culture truly strengthen its own cultural personality by constantly discarding its weaknesses and preserving its strengths. Theatrical festivals, sports competitions, cultural exhibitions, academic conferences, cultural studies, and development activities, whether

region-wide, inter-provincial, inter-regional, or nationwide, should be incorporated into Xinjiang's regular cultural calendar. They are a wealth of cultural information that can help a traditional national culture take on a new look and expedite cultural development in Xinjiang.

If Xinjiang is to orient its culture to the world and truly become the meeting point of Chinese and Western cultures, it must take part in cultural exchange and competition in earnest on a global scale. It should consider ways of exploiting the historical connection between Xinjiang and Western Asia through the Silk Road and transmit the fine cultures of various nationalities in the fatherland to that region to promote international friendship. It should cultivate the international cultural market diligently by making Xinjiang culture more competitive. It should come up with methods to better attract foreign trade and technology.

C. Short-Term Cultural Development Policies and Measures

With the key issues of cultural development in mind, we suggest the following as the most practical and feasible ways to develop Xinjiang culture:

1. Increase cultural investment and secure funding for cultural undertakings.

During the Seventh 5-Year Plan, we should adjust the mix of fixed assets investment in Xinjiang and increase investment in cultural undertakings substantially. Cultural institutions and units in Xinjiang have a weak foundation and are heavily in debt. So far we have not even completed the requirements of the Sixth 5-Year Plan as far as the construction of cultural facilities is concerned. Fourteen cities do not have a museum, 37 counties (municipalities) do not have a library, 250 townships do not have a cultural center, and there is only a quarter of book distribution points. Accordingly, it is proposed that annual cultural investments in Xinjiang grow faster than overall investments in the region in order to make good the existing funding shortfall and secure funding for capital projects as soon as possible.

2. Rely on social forces in all quarters to create culture.

In the present situation, it would be difficult to depend on national and local financial resources alone to develop cultural undertakings. We must bring together trade unions, the CYL, the Federation of Women, the various democratic parties, mines, factories, military units, schools, and cultural institutions and plan cultural development comprehensively in order to create a new situation in which cultural undertakings are run by

society and where mass culture is run by the masses. We should raise cultural development funds in a variety of methods through a variety of channels, encourage urban and rural collectives and individuals to establish miscellaneous cultural undertakings, support non-cultural units to organize cultural undertakings or invest in the cultural sector, nurture the development of individual and special cultural households, and pay attention to the open policy in the development of national cultural resources. The traditional national culture rich with the characteristics of the Western Region should be used in a variety of ways to attract an infusion of capital and new cultures, domestic and foreign.

3. Make use of policies, the market, and the law.

The practice in the past was to have the state foot the entire cultural bill. We must put an end to that situation and develop the market as a regulator of cultural development. In the case of artistic products that are of a high artistic value, exercise great influence at home and abroad, and are rare in quantity but which are uncompetitive, the government should subsidize them completely with a lump-sum payment. This policy should also apply to the excavation and research of cultural legacy of rare academic value. (Examples include the editing and compilation of the "Volume on Xinjiang," which is a collection of "seven major" national folk arts by the Xinjiang Institute of Art and the systematic arrangement of and research on classical Uygur music, "Mukamu.") In the case of artistic works and projects that are quite competitive, of a fairly high artistic level, and are fairly influential at home and abroad, or of regular research topics and mass media, the government may offer them a fixed amount of subsidy with a floating bonus. The cultural unit concerned may keep the surplus, if any, but will also be responsible for any cost overruns. For the bulk of popular artistic projects and other more profitable mass media, the government will not provide any funding apart from some policy assistance. Instead they are expected to be self-financing and practice survival of the fittest. Gradually a situation will appear that is in line with the demands of the cultural market.

The tax system as it relates to cultural undertakings should be reformed. The trouble with the present tax system is that it is overly simple and that there is only one tax rate. To overcome these shortcomings, we should use taxes as leverage, encourage the integration of economic and social interests, and ensure that funds accumulated by cultural units can be spent on self-development. At the same time, we should accelerate cultural legislation and formulate local cultural laws and regulations to ensure healthy cultural development in Xinjiang with legal means.

LIAOWANG on 'Elastic Diplomacy'
*OW1003040389 Hong Kong LIAOWANG [OUTLOOK]
OVERSEAS EDITION in Chinese No 8, 20 Feb 89
pp 7-8*

[Article by Wang Kehua 3769 4430 5478, researcher at the Taiwan Institute of the Chinese Academy of Social Sciences: "What is the Essence of the 'Elastic Diplomacy' Being Pushed by the Taiwan Authorities?"]

[Text] The Taiwan authorities have been talking a lot about strengthening efforts to promote the "elastic diplomacy" in recent months. They have decided to "comprehensively" reform their past diplomatic strategies, and are preparing to "upgrade" or "resume diplomatic relations" with some countries, as well as "return to international organizations." At the same time, they have sent people to various countries to sell their idea.

We cannot help but ask why the Taiwan authorities are now talking about "elastic diplomacy." What are their real intentions?

"Elastic Diplomacy" Began in 1972

Those concerned about Taiwan's future know very well that "elastic diplomacy" is a term coined by the Taiwan authorities. However, it is not a new term, having been in use since 1972. With great changes in relations between the two sides of the Taiwan Strait and in international relations over the past 17 years, the Taiwan authorities have also revised the definition of "elastic diplomacy," its targets, strategies, and means. However, its basic stance of violating national interests, persisting in splitting apart, and being detrimental to the reunification of the motherland, has never been changed. We will know the reasons at a glance, if we analyze the content and intentions of "elastic diplomacy" in its different stages of development.

The First Stage: "Aligning With the Soviet Union" To Put Pressure on the United States in Order To Obstruct the Normalization of Sino-U.S. Relations

In the first stage, from 1972 to 1979, the "elastic diplomacy" initiated by the Taiwan authorities was aimed at "aligning with the Soviet Union" to put pressure on the United States in order to obstruct the normalization of Sino-U.S. relations. In October 1971, the United Nations General Assembly passed a resolution restoring the PRC's legitimate seat at the United Nations. U.S. President Nixon visited China in February 1972. China and the United States issued the "Shanghai Communiqué," thus enabling Sino-U.S. relations to develop in the direction of normalization. Under the circumstances, a heated debate on Taiwan's future—whether it should "align with the Soviet Union, while persisting in anticommunism" or "depend on the United States for survival"—broke out within the Kuomintang. Some people led by Zhou Shukai, Taiwan's "foreign minister," initiated the theory of "elastic diplomacy."

On 19 January 1972 in Manila, Zhou Shukai openly announced that "the Republic of China will implement an elastic diplomatic policy from now on," and that it "will welcome" "contacts" with any nonhostile nations.

The Kuomintang's decisionmaking authorities strongly opposed the theory of "aligning with the Soviet Union, while persisting in anticommunism" initiated by Zhou Shukai. Zhou Shukai was dismissed from the post of "foreign minister" in May 1972 because of pressure from both inside and outside the party.

However, the Taiwan authorities didn't stop their "elastic diplomacy." They adopted a two-track strategy instead.

The Second Stage: Strengthening "Substantial Relations" With Countries With No Diplomatic Ties

The period from 1979 to the first half of 1988 was the second stage. Since China and the United States had established diplomatic relations and the Chinese Government was initiating the policies of "one country, two systems" and "peaceful reunification," the Taiwan authorities changed their traditional way of developing foreign relations by establishing formal diplomatic relations, to promote their "elastic diplomacy." They launched the so-called "substantial diplomacy" by strengthening "substantial relations" in economic, trade, cultural, and scientific fields with countries with which they had no diplomatic relations. Besides, they partially revised the policies of "no co-existence" and of "if you come, I leave," when dealing with the issue of mainland representation in nongovernmental international organizations. They instead adopted the "elastic" principle of "no evasion and concession," and actively participated in nongovernmental organizations. However, regarding their name, they often openly or secretly used the words "the Republic of China" in an attempt to create a "two Chinas" situation. As a result, representatives from the two sides of the Taiwan Strait could not successfully engage in contacts and exchanges in various nongovernmental international activities.

It is particularly necessary to point out that during that stage, the Taiwan authorities gradually shifted to a practice of "one China with two political entities" from the principle of "one China with one government" that they adhered to during the 1960's and 1970's. A good example of this was that after China and the United States established diplomatic relations in January 1979, Chiang Ching-kuo openly put forward "five principles (continuity, factual basis, security, legislation, and governmental relations)" for maintaining new U.S.-Taiwan relations in an attempt to give U.S.-Taiwan relations a governmental nature after the establishment of diplomatic relations between China and the United States. The "Coordination Council for North American Affairs" under Taiwan's "Executive Yuan" of course can

only be a nongovernmental organization, but the Kuomintang authorities always want to turn it into a governmental organization to handle the business of an "embassy in disguise."

The Third Stage: Practicing "Double Recognition" in an Attempt To Return to Governmental International Organizations

During the third stage, the "elastic diplomacy" practiced by the Taiwan authorities since the reorganization of Taiwan's "Executive Yuan" in July 1988 is "not bound by established ideas" at all, just as new "Foreign Minister" Lian Zhan has said. Some Taiwan scholars call it "new elastic diplomacy." It is "new" in two respects: First, Taiwan is preparing to "restore diplomatic relations" with some countries which have already established diplomatic relations with the People's Republic of China, and practice "double recognition." This was never done before. Second, Taiwan is preparing to return to governmental international organizations, such as the GATT, in the name of the "Republic of China." This was never done before either. A person with a discerning eye will see that such a "new elastic diplomacy" is absurdly "new" because it deliberately makes the mistake of creating "two Chinas." Nevertheless, Taiwan's "Premier" Yu Guohua still says that Taiwan "continues to adhere to the 'one China' principle," and will "promote elastic diplomacy under the 'one China' principle." This is indeed a self-deception.

Therefore, I deem it necessary to seriously discuss several questions of principle concerning "elastic diplomacy."

As a Province of China, Taiwan Does Not Have the Qualifications of the Subject of International Law at all

1. According to international law, a country is the basic subject of international law, and only a country has the qualifications of the subject of international law, the right to establish diplomatic relations with other countries, and the right to participate in governmental international organizations and their meetings. Taiwan is a part of China, and this is a fact generally acknowledged by the international community and the Chinese people on both sides of the Taiwan Strait. For this reason, it does not have the qualifications of a subject of international law at all, nor does it have the qualifications to participate in governmental international organizations or establish diplomatic relations with other countries. Any speeches and deeds which regard the Taiwan local authorities as a subject of international law are a violation of China's sovereignty. Therefore, the Taiwan authorities' demand for returning to governmental international organizations and their practice of "double recognition" are designed to create "two Chinas." The consequences will be a permanent separation of Taiwan from China.

2. According to international law, a single state is a country with only one highest organ of power and one highest organ of administration. China is a single state, the government of the People's Republic of China is the sole legitimate government representing China, and Taiwan is a part of China. This is a fact long acknowledged by the international community. A local administration of a single state has no right to engage in international activities as a subject of international law. In other words, Taiwan authorities do not enjoy the "independent" "equal status" in international organizations as China's central government does. Otherwise, "two Chinas" will be created. Some personages among the Taiwan authorities say that Chinese Communists want to downgrade Taiwan authorities to a "local government." Unreconciled to being a local government, Taiwan wants the status of a central government. Then, isn't it "one China with two central governments" in violation of the principle of "one China with one government"?

3. We are not opposed to Taiwan's efforts to promote comprehensive nongovernmental exchanges with other countries in the economic, trade and cultural fields. We know that without such comprehensive economic and trade relations, it will be difficult for Taiwan to maintain its prosperity and stability. In that case, the relaxed atmosphere and the gratifying phenomena of investment, trade and visits of relatives existing in recent years across the Taiwan Strait will be affected. This does not conform to the aspirations of the people across the Taiwan Strait. However, we don't think that the relationship between the two sides of the Taiwan Strait, an internal issue, should be related to the issue of Taiwan's international status. Still less do we agree to the Taiwan authorities' demand urging the Chinese Government not to object to their "return to international organizations" as a condition for Taiwan's continuation of its open policy toward the mainland.

We Will Never Barter Away Principles To Give Up the Reunification of our Country

Nevertheless, it is upsetting that there are some things about this issue which merit our attention. It is reported that a high-level person among the Taiwan authorities has emphasized: Only when the Chinese Communists change their practice of hostility against us and stop "exerting pressure on Taiwan" in the international community, will the Taiwan authorities consider the relaxation of economic exchanges between the two sides and the question of whether to provide economic aid. The views expressed by two scholars residing in the United States during their visit in Taiwan recently are even more upsetting. One of them said: "I think that the gradual adoption of an open policy toward the mainland should be conditional on the Chinese Communists' doing less to isolate us in the international community. However, the government always delays the opening until popular pressure becomes too heavy to withstand, and it is not taking the initiative, nor looking ahead. As

a result, the situation will become even worse. If things continue in this way, chances are that the Chinese Communists, without having to make any concessions, will be able to compel us to respond to their request for the three links and four exchanges." The other scholar said: If the Chinese Communists "continue to reduce Taiwan's room for maneuver" in the international community, Taiwan will "be compelled to tighten its open policy for the sake of its own safety and thus cause a retrogression of the detente and exchanges between the two sides." By the Chinese Communists' "isolation of us in international community" and the "reduction of Taiwan's room for maneuver" in the international community, they mean the Chinese Government's opposition to Taiwan authorities' efforts to promote "elastic diplomacy" and create "two Chinas." It is indeed absurd that they have confused right and wrong to such an extent.

To create "two Chinas" and "legalize" and "perpetuate" the present division between Taiwan and the mainland is a major issue of principle concerning the sovereignty of our country's territory. The Chinese Communists will never barter away principles to give up the reunification of our country. We will never give consent or tacit consent to "legalized" and "perpetuated" division between Taiwan and the mainland in exchange for the Taiwan authorities' agreement on maintaining detente and exchanges between the two sides.

The Major Harm of Elastic Diplomacy: It "Legalizes" and "Perpetuates" the Present Division Between the Mainland and Taiwan

To promote the detente, exchanges and cooperation between the two sides of the Taiwan Strait is an aspiration of the people of whole China. The trend of relaxation in recent years is the preliminary result of the efforts made by the compatriots on both sides for many years. For this reason, the detente and exchanges between the two sides across the Strait must go forward, nor backward. This concerns the interest of the Chinese people, and this is also a trend worldwide. The people throughout our country hope that Taiwan will further relax its policy towards the mainland, and oppose the Taiwan authorities' "tightening of policies" to obstruct the exchanges and contacts between the two sides of the Strait.

"Xiang Zhuang performed the sword dance as a cover for his attempt on Liu Bang's life." [an ancient story showing people acting with a hidden motive] Taiwan authorities are promoting "elastic diplomacy" on the pretext of "breaking through an international isolation" and "assuming international responsibility." In fact, they are attempting to create "two Chinas" in the world, make "one China" an empty phrase, and "legalize" and "perpetuate" the present division between the two sides of the Taiwan Straits. This is the major harm of "elastic diplomacy." Chinese people at home and abroad who are concerned about the reunification of the motherland must heighten their vigilance.

Analysis of Mainland Influence on Hong Kong Politics

40050296a Hong Kong MING PAO YUEKAN [MING PAO MONTHLY] in Chinese No 278, Feb 89 pp 3-5

[Article by Xu Siqi 1776 1835 1142: "On Interference by China in Hong Kong Politics"]

[Text] As 1997 draws near, the role China plays in Hong Kong politics is a subject drawing more and more attention. There has recently been public discussion of this topic, in which two basic attitudes have dominated. It is unfortunate that both attitudes derive from subjective feelings, that they both originate in common pragmatism. They are not much use in addressing theoretical and constructive discussions of the subject just mentioned, but they may serve as negative examples.

The Separatists

An attitude that stems from subjective feelings is the one that would completely screen off China's influence beyond Hong Kong's gates. The model for this attitude had appeared during the period of discussions between England and China regarding the future of Hong Kong. There was an "isolationism" popular at the time, which held that a factor in Hong Kong's success over the past decades was its separation from the Chinese mainland, and that what assured this effective separation was the British political authority in Hong Kong. Those holding to this view unanimously opposed the return of Hong Kong's sovereignty to China. Among them were people who advocated conti

Report Urges Taiwan To Accelerate Exchanges With Mainland

OW1703060589 Beijing GUANGMING RIBAO in Chinese 10 Mar 89 p 1

[By reporter Liu Lubao 0491 6424 1032]

[Text] Beijing, 9 Mar—Ding Guangen, director of the Office of Taiwan Affairs under the State Council, today delivered his work report to the Seventh Session of the

Standing Committee of the 7th National People's Congress. He said: Last September, we got a formal request from Taiwan asking us to donate a pair of pandas to be displayed in the Taipei Zoological Garden. The China Wildlife Conservation Association has already chosen a pair of artificially fertilized young pandas for Taiwan and temporarily put them in the Beijing Zoological Garden, waiting to be shipped to Taipei.

Ding Guangen said: To make sure that those pandas of 2-3 years old may grow healthy and reproduce offspring in Taipei, we are willing to send experts over to teach them breeding techniques and also welcome the Taipei Zoological Garden to send people over here to learn.

On stepping up contacts between both sides of the Taiwan Straits and promoting exchange in culture, education, sports, science, and academics, Ding Guangen said that both sides have already begun exchanges in those fields.

He stressed: Both sides can exchange in many areas. We plan to organize cultural and athletic projects that are of interest to Taiwan's people, such as Beijing opera, acrobatics, folk music, fine arts, ancient books, artifacts, Chinese medicine, Qigong [a deep breathing exercise], martial arts, etc., for exchange.

Ding Guangen pointed out: There has been noticeable progress in the exchange between both sides of the Taiwan Straits, but it is still far from satisfactory. The Taiwan authorities have in the past year loosened up the mainland policy, but there are still a lot of unreasonable regulations and artificial obstacles. We impose no restrictions whatsoever on mainland visits by Taiwan compatriots, be they ordinary people, party, government, or military personnel. The Taiwan authorities, however, ban visits by Communist Party members; allow Taiwan compatriots and relatives of those living in Taiwan to visit sick relatives and attend funerals in Taiwan, but no family reunion, and allow no children on the trip. Taiwan authority forbids direct mail, direct navigation links, and direct trade, and thus both increases costs and benefits third parties. All those regulations are apparently against the people's wishes.

Li Teng-hui's Political Performance Assessed
40050303 Hong Kong PAI HSING [THE PEOPLE]
in Chinese No 185, 1 Feb 89 pp 28-31

[Interview with Peng Huai-en 1756 2037 1869 by Hideo Tobari, YOMIURI SHIMBUN correspondent, in Taipei, 7 January 1989: "The Situation in Taiwan 1 Year after Li Teng-hui Came to Power"]

[Excerpts] [Passage omitted] [Tobari] I should like very much to hear your views regarding the developments and changes that have occurred on Taiwan politically since Chiang Ching-kuo passed away. Were these changes what you expected? Or did they disappoint you? And what is your assessment of Mr Li Teng-hui.

[Peng] Let me talk about the political changes first. Simply put, Taiwan's political situation this past year amounts to a collapse of authority. The American scholar Lucian Pye once said that the biggest problem for Chinese is not identity crisis but a crisis of authority. I believe that if this standard is applied to Taiwan's situation last year, there definitely was a collapse of authority, although that collapse was much less worse than the one that occurred during the year following the death of Mao Tse-tung, when the gang of four incident occurred and the Chinese mainland was plunged into great chaos. While he was still alive, Chiang Ching-kuo, on the other hand, distributed power and arranged most of the pieces on the chessboard pretty well. So the collapse of authority was psychological; there was no authority left psychologically, and in society there was a perceived lack of an authoritarian figure.

[Tobari] We used to worry that people's long dissatisfaction with the Kuomintang (KMT) would explode once Chiang Ching-kuo died, but that is not what has happened at all. In this respect, the situation is much better than we anticipated.

[Peng] First of all, in handling the party chairmanship issue, the KMT quickly convened a meeting of its Central Standing Committee after Chiang Ching-kuo passed away and elected an acting chairman and then formally elected Mr Li Teng-hui chairman at the 13th National Congress. Overall, no intense power struggle occurred over the KMT's central authority. Though there was some conflict, disputes over the distribution of power occur in any political struggle.

[Tobari] Looking at the situation following the passing of Chiang Ching-kuo from the standpoint of the current situation, can we say that the KMT has matured?

[Peng] In the view of political science, human beings do not unite of their own accord; it is only in the presence of great external pressure that unity is possible. Confronted not only by the Chinese Communist regime but also by the domestic opposition, the KMT has always borne a trait of traditional Chinese political culture, namely, that the party does not want to lose face or to give other

people an opportunity to make fun of the KMT. This point alone was enough to force the KMT to avoid at least open political struggle. By the same token, the opposition Democratic Progressive Party [DPP] also performed quite well and did not take advantage of the situation, in which the KMT lost its chairman, to foment large-scale political struggle. Although a few incidents occurred, such as the 20 May incident¹ and the farmers' movement, these incidents were not planned but were mass movements that went out of control. Most of the conflict resulted from the fact that mass movements went out of control and not from conscious effort by the DPP to exploit the situation to overthrow the government or to foment social turbulence. Thus, though the interaction between the KMT and the opposition during the last year falls far short of the normal situation in democratic countries, it was much better than what goes on in Third World countries and thus lies between these two poles. [passage omitted]

[Tobari] What surprised us is that, when Chiang Ching-kuo passed away, the people, including the DPP, reacted moderately toward the KMT or toward Chiang Ching-kuo and seemed to support the KMT.

[Peng] This is closely related to the arrangement Chiang Ching-kuo made to have Li Teng-hui be vice president, because Li is Taiwanese. A very important factor behind what the opposition calls the campaign of resistance to the KMT by Taiwanese was the latter's desire to lift their heads and take charge of their own affairs. Li Teng-hui's succession to the presidency meant that a Taiwanese, at least symbolically, had become head of state of the Taiwan area. This development was comforting to 85 percent of all Taiwan natives and was a great relief after many years of repression.

[Tobari] If Chiang Ching-kuo had appointed a non-Taiwanese ...

[Peng] That might have been a problem—it definitely would have been a problem, especially if the new leader was unable to establish his authority. Then political turmoil probably would have been unavoidable.

[Tobari] When Chiang Ching-kuo passed away, I was still in Hong Kong. I recall that many people were worried then that the DPP would try to exploit and to profit from the situation.

[Peng] To a certain extent, the DPP has to make its decisions according to circumstances. However, the top leaders of the DPP all are highly educated and have judged events very accurately. This is especially so because of the "Meili Tao [FORMOSA] incident." The American recognition of the Chinese Communists created a crisis in the entire situation of the Taiwan area. At that time the nonparty opposition tried to exploit the Meili Tao incident, and as a result everyone was arrested. I believe that this incident taught the opposition a big lesson, so they now are quite able to control

themselves. As to your question regarding President Li Teng-hui, the new leader's performance over the past year was worse than I expected; much worse, in fact. Because when he first assumed office he performed very well at a press conference, where he said something that has great appeal to the people of Taiwan, especially to intellectuals, and that is that he would return to the constitution.

This is important because over the last 30 years Taiwan, though certainly not lacking a constitution, has not had constitutional government. The Chinese Communists have a constitution, too, and so does the Soviet Union. The basic idea of constitutions should be to limit the power of the government; they do not just serve as the supreme law of the land. The KMT also has a constitution but does not observe it and has even superimposed on it the Temporary Articles during Mobilization against Communist Rebellion. Thus when Li Teng-hui said at his inaugural press conference that he wanted to return to the constitution, that, simply stated, meant a return to constitutional government, not merely a return to the letter of the constitution but a return to its spirit. However, in the past year he clearly has failed to accomplish this. [passage omitted]

Let us first discuss the problem in terms of its broader significance. Our constitution provides for a responsible cabinet system, not the presidential system of the Temporary Articles. Li Teng-hui obviously does not want to be a powerless president; he wants real power, as provided for in the later constitution (the Temporary Articles). This violates the spirit of the constitution. To put the matter in Taiwan's simplest words, the president is responsible to the National Assembly, which meets only once every 6 years, meaning that the president is responsible to no one. The constitution provides that the premier [president of the Executive Yuan] is the chief of the highest executive organ in the land, so he is responsible to the Legislative Yuan and to the National Assembly. Because the Legislative Yuan meets twice a year, each time for as long as 4 months, always extended to 5 months, it is in session 10 months a year, which makes [the premier] responsible every day, except during recess.

Thus the original spirit of our constitution called for a responsible cabinet system, and constitutional government under our system means a system of responsible government, so the premier should be held responsible for actual administration. But over the past year, we have discovered a very serious problem, namely, that power and responsibility have not been delineated. It is as if it had been decided that Li Teng-hui should act, while Yu Kuo-hwa should bear the responsibility. If that is the case, then power and responsibility indeed have not been delineated, which was a major shortcoming in the implementation of our constitution in the past. Li Teng-hui has not resolved this problem and in fact has made it worse. This is what people have criticized him most severely for. In this respect, he is preserving a traditional practice.

We all know that the KMT system was born of the womb of the Leninist political party. The Leninist system uses a single political party to control the state and places power above all politics. In desiring to return to the constitution, we hope to transform political parties into partial entities that are under the state and not allow such parties to serve as ruling bodies that are above the state and completely beyond any control. With the exception of the president of the Examination Yuan, who is politically unaffiliated, the other four yuan (executive, legislative, control, and judicial) presidents all are members of the KMT Central Standing Committee, which is equivalent to politburos in communist parties. These presidents are not subject to the control of organs representing popular opinion yet engage in political decision-making, and their chairman is Li Teng-hui, so he also controls the presidents of the five yuan. This amounts to preserving authoritarian rule.

[Tobari] Do you believe this is due to Li Teng-hui's own ideological baggage? Or is it because he has no other choice?

[Peng] He now faces a contradiction. Does he want to be the leader of a democratic nation? Or does he want to be the leader of an authoritarian nation? If the former is his desire, he may end up being powerless. This would make him a sacrificial lamb in our future political development but would help us realize what we all call "rule of law," rather than "rule by law." If he wants to be an authoritarian leader, however, the situation would be dangerous, I believe. For though Li claims he is democratic, he has failed to institutionalize law or the political system, and he has chosen not to work through the government system but rather interferes with political operations through the party's power structure. If this persists, Taiwan cannot be considered to have reached the stage of democracy. [passage omitted]

[Tobari] Is Mr Li aware of this problem?

[Peng] He faces a choice: Is he a new authoritarian leader? Or ... actually, there would be an advantage to being such a leader, namely, he could satisfy a psychological need for many people. As we mentioned above, what the Chinese people fear most is crisis of authority. If Li Teng-hui wants to become an authoritarian leader, he could satisfy traditional psychological need. But to do that would prevent Taiwan from becoming the only democracy in the Chinese political world. And that would make Taiwan little better than the Chinese Communist regime. Authoritarian politics may be efficient, or officials under such a system may be of good quality, but efficiency does not make a system democratic.

[Tobari] We feel that Li Teng-hui has been helpless on the matter of parliamentary reform. Is this because there are obstacles that have forced him to move slowly on this reform?

[Peng] I think he has his own misgivings on the issue. If he wants to resolve the issue once and for all, he must first sacrifice himself. That is because the terms of parliamentarians have consistently been extended, and there is an important reason for this. During the period of mobilization against communism, the Council of Grand Justices issued an opinion based on the Temporary Articles that granted parliamentarians life terms or something akin to life terms. To resolve this problem, we must rescind the Temporary Articles. We must apply the last provision of the articles and terminate the period of mobilization against communism, which move has to be proclaimed by the president.

[Tobari] Does Li Teng-hui have the power to make such a proclamation?

[Peng] Yes! If he sacrifices himself, he can solve the parliament problem; it is very simple! All he has to do is proclaim the end of the period of mobilization, and terms of office once again will be governed by the constitution, which stipulates that national assemblymen and legislators shall serve for 3 years.

[Tobari] That may well be, but with so many old members in the National Assembly and the Legislative Yuan, to replace all of them in one fell swoop would to them seem a little ...

[Peng] Li Teng-hui should realize that his power is rooted in the support the 20 million people of the Taiwan area give him, not in those decrepit national assemblymen. [passage omitted]

[Tobari] But if one stands in Li Teng-hui's shoes, you may have a point in what you say, but it is probably impossible to remove the old parliamentarians all at once. This probably is what is making things difficult for him.

[Peng] This relates to a problem in Chinese politics, namely, that many people prize harmony. The emphasis on harmony often leads to delay in dealing with problems, which is not the right way to resolve problems. Of course, some people might say that we ought to feel for Li Teng-hui; he just took office. However, we must understand that if the people's demand for reform outruns your program, then your program will be considered conservative. A major reason why Chiang Ching-kuo was able to win the support of the people during the last 2-3 years of his life was because his reforms outpaced people's expectations. No one thought he would lift the Emergency Decree so soon, but he did it. No one thought he would lift the restrictions on newspapers so soon, yet he did. And when the DPP was founded, everyone was sure he would ban it, but he did not. He did many things that people did not expect, so he gave more than the people had hoped. It is just as if you were buying candy and the sales clerk kept giving you more and more; you would feel that person was very nice. But if he put a handful of candies on the scale and then kept taking

some off, you would probably think of him as a bad person. So I think that Li Teng-hui gave us high expectations at the outset but performed poorly in the end. That is especially true with respect to the things he did that we think he should not have done. For example, he used the issue of whether or not to extend Hau Pei-tsen's [6787 2672 2625] tenure as chief of the general staff to demonstrate his power, but the move did not help him establish his authority. Of course, you argue, the constitution provides that the president is empowered to appoint and dismiss civil and military officials. This is power, of course. But if your power is not rooted in a reasonable base, you will lose your authority the longer you wield your power. [passage omitted]

Footnote

1. On 20 May 1988, 3,000 farmers from southern and central Taiwan and a number of members of the DPP staged a demonstration in front of the gate of the Legislation Yuan, and a riot ensued. The entire incident did not end until 5 o'clock in the morning the following day. Nearly 100 people were injured, and 100 were arrested. The next day, 20-plus people were indicted. This incident is said to be the largest clash between the police and the people in 40 years.

Description of CPC Policy Toward Taiwan

HK2802101389 Hong Kong KUANG CHIAO CHING
[WIDE ANGLE] in Chinese No 197, 16 Feb 89 pp 6-11

[Article by Chou Jung 0719 2837: "Wu Xueqian Says That Once the Talks Start, Everything Can Be Open to Discussion—a New Breakthrough in Kuomintang-CPC Relations Can Be Expected This Year"]

[Text] [Editor's note] After Yang Shangkun, leader of the Taiwan Affairs Group of the CPC Central Committee, became state president, Wu Xueqian took charge of most of the group's day-to-day affairs. Wu Xueqian is now deputy chief of the Taiwan Affairs Group and holds an important position. He recently passed a message to Taiwan: "Once the talks start, everything can be open to discussion." This has some profound and delicate implications.

Sun Xiaoyu and Chen Zonggao are two newly appointed deputy directors of the Taiwan Affairs Office of the State Council and they have different backgrounds. Sun Xiaoyu was previously a secretary to Peng Zhen, and he was later appointed deputy director of the Foreign Affairs Bureau of the National People's Congress [NPC] Standing Committee. He studied in France and has a good knowledge of both foreign and domestic affairs. His promotion shows that the CPC will set greater store by the handling of foreign affairs in its Taiwan work. Chen Zonggao was previously an official in the economic departments of the State Council. His participation in the handling of Taiwan affairs indicates that economic issues will account for a greater proportion in relations between the two sides of the strait. [end editor's note]

CPC Reorganized Taiwan Affairs Group With Wu Xueqian Being Appointed Deputy Group Leader and Taking Charge of Day-to-Day Work

In the autumn of 1987, the CPC Central Committee's Taiwan Affairs Group was reorganized. Yang Shangkun, the then permanent vice chairman of the Central Military Commission, replaced Deng Yingchao as chief of the group in charge of the Taiwan work. After Yang Shangkun became state president in the spring of 1988 at the 7th NPC, Wu Xueqian took over a great deal of responsibility for the handling of Taiwan affairs. Wu has quietly become deputy chief of the CPC Central Committee's Taiwan Affairs Group. At the same time, he is also a member of the Political Bureau, a vice premier of the State Council, and a deputy chief of the Central Committee's Foreign Affairs Group. However, as a major policymaking organ of the party leadership, this Taiwan Affairs Group cannot replace the government in formulating various concrete regulations, or replace various departments of the State Council and local governments in carrying out economic, cultural, sports, and academic exchanges with Taiwan. Therefore, giving careful consideration to various factors, the authorities decided to appoint Ding Guangen, the former railway minister, as head of the State Council's Taiwan Affairs Office. At the same time, Ding was also appointed vice minister of the State Planning Commission, ranking second next to Yao Yilin in this commission. Ding is an alternate member of the CPC Central Committee's Political Bureau. According to Ding Guangen, "it was decided to set up the Taiwan Affairs Office in the State Council 2 years ago, but this organ was not set up until now. This indicated that our work efficiency was not high enough." He said that the purpose of setting up this office was to coordinate the handling of the increasing Taiwan affairs so as to prevent any possible inconsistency in our work.

In late 1988, the State Council appointed two deputy directors of the Taiwan Affairs Office. They are Sun Xiaoyu and Chen Zonggao. In addition, corresponding local government institutions in charge of Taiwan affairs have also been set up in some provinces and cities, such as Sichuan, Hunan, and Jiangxi.

Sun Xiaoyu Was a Former Secretary for Peng Zhen and Has a Good Knowledge of Foreign Affairs

It is learned that Sun Xiaoyu was previously a secretary for Peng Zhen (former NPC Standing Committee chairman), and then was appointed to be deputy director of the Foreign Affairs Bureau of the NPC Standing Committee. Sun is now in his 40's, and studied in France at one time. He is intelligent and capable, and is expected to perform well in the new post after being promoted to deputy director of the Taiwan Affairs Office.

Chen Zonggao Is Conversant With Economic Affairs

The other new deputy director, Chen Zonggao, has experience similar to Ding Guangen's. He worked in various economic departments of the State Council and

as an official being promoted in recent years, he has a good knowledge of domestic and international economic affairs. The appointment of such officials to the Taiwan Affairs Office indicates that economic affairs and economic exchanges will account for a great proportion in the future exchanges between the two sides of the strait.

Over the past year and more since Taiwan began to allow people to go to the mainland to visit relatives, more than 400,000 Taiwan residents have entered the mainland. So it is necessary to work out concrete and explicit measures for receiving Taiwan people, no matter whether they come to the mainland to visit relatives, take sightseeing tours, do business, make investment, or conduct academic and cultural exchanges. It is more necessary to formulate some regulations for coping with any sudden changes, civil disputes, problems related to marriage, death, and illness, and crimes involving people from Taiwan. As a country which is trying to establish a perfect legal system, relevant laws and regulations should certainly be enacted.

Central Government Strengthens Study, Implementation, and Guidance in the Handling of Taiwan Affairs

Some Taiwan scholars, such as Wang Hsiao-po and Yin Chang-yi of the History Society of Taiwan, have joined hands with some mainland scholars in holding academic symposiums in Xiamen and Beijing. At one of these symposiums, Lu Lin, a member of the Taiwan Fellow-students Association, pointed out: "In the past, the state leadership could only put forward some basic principles and general policies toward the Taiwan affairs, and could not make substantial progress in the formulation of concrete policies and the planning of concrete actions for the lack of in-depth knowledge and special functional organs. This state lags far behind the development of the situation." He hoped that China's top leadership would strengthen the study, formulation, and implementation of policies toward Taiwan and give more guidance to the handling of Taiwan affairs. This should come into the jurisdiction of the central authorities and there should be some special functional organs in this regard so that some concrete policies that are in line with the people's wishes in Taiwan and are valid for a long time can be formulated.

In this respect, the Taiwan authorities have promulgated a series of laws and regulations corresponding to the policy of allowing people to go to the mainland to visit relatives. On the part of the CPC, however, aside from the interim regulations on the reception of Taiwan compatriots who come to the mainland laid down by the State Council, other things could only passively "follow" what happened in Taiwan. In July 1988, the mainland authorities promulgated the Regulations on Encouraging Taiwan Compatriots to Making Investment, and laws and regulations on other affairs have yet to be officially formulated. All this is, to a certain degree, related to the CPC's position on imposing no restraint on the "three

connections." At the same time, the mainland authorities will have to see the practical results, the advances of the structural reform, the implementation of the legal procedures, and the operation of the relevant organs before the law and regulations are officially enacted. Otherwise, the laws and regulations may have to be revised after they are enacted, thus losing their authoritativeness. So it is better to make a more careful and prudent start.

People who have attended meetings on Taiwan affairs held by Ding Guangen said that Ding is a rather astute official but he is still not knowledgeable about with the situation in Taiwan. Since the Taiwan Affairs Office was set up and Ding was appointed to head this office, the office has done a great deal of work in a short time and has begun to join hands with other ministries and commissions in the State Council in drafting various laws and regulations. The Taiwan authorities have drafted the Interim Regulations on People-to-People Relations between Taiwan and the Mainland, which include provisions concerning border management, security, party affairs, transportation, financial affairs, currencies, trade, investment, social and cultural issues, sports, academic activities, marriage, pensions, and judicial jurisdiction. In view of this, it is expected that the mainland authorities will also formulate and promulgate corresponding concrete regulations in 1989.

Do the Taiwan Authorities Lack Courage and Strength To Do What They Want To Do?

In 1988, Li Teng-hui succeeded Chiang Ching-kuo as leader in Taiwan, and he continued to advance people-to-people contacts between the two sides of the strait. His practice in this regard complied with the people's wishes and the trend of the times. However, many policies adopted by the Taiwan authorities in the past year and more showed that the Taiwan authorities behaved like some "isolated rulers of a small country" because they failed to make major breakthrough in complying with the wishes of the people on both sides. Li Teng-hui sometimes even blamed the public for "taking the enemy lightly" and "cherishing romantic illusions toward the 'three connections.'"

The Scope of Opening in Taiwan Was Continuously Widened by the People

In fact, although the relevant government decrees laid down by the Taiwan authorities in the past 2 years included many stern restrictions, people often broke through these restrictions in practice and expanded the scope of opening. For example, Taiwan residents (excluding government and military personnel) are allowed only to visit their relatives on the mainland, and are not allowed to take sightseeing tours or go to the mainland for other purposes. However, according to the investigations by the mass media in Taiwan, hundreds of thousands of Taiwan people have openly gone to the

mainland for sightseeing. Taiwan artists, writers, scholars, singers, and dancers went to the mainland to put on performances, hold exhibitions, and conduct cultural exchanges. After Li Yung-te and Hsu Lu, many Taiwan reporters kept going to cover the 13th CPC National Congress, the 7th NPC's first session, the CPPCC's meeting, and to interview famous people in various circles on the mainland. Their reports sent from all parts of the mainland were published in large numbers. Even some senior military and government officials of the KMT and some incumbent members of the "Legislative Yuan," members of the "National Assembly," and members of the "provincial council" also disregarded the bans and secretly went to the mainland to visit relatives and friends and find out about the actual conditions on the mainland. They have a tacit understanding of each other. Trade, postal connections, and navigation between the two sides have all broken through the restrictions of the Taiwan authorities.

In Taiwan, the fact is that if the authorities open one inch of the gap, the public will make advances by ten yards. As the regulations laid down by the authorities are not realistic, they will just become a mere scrap of paper without binding force in practice, and people dare to defy them overtly or covertly. So long as the "three connections" are not made legal, the people will inevitably defy the restrictions imposed by the authorities, and the policies pursued by the Taiwan authorities will become more impertinent, and they will lose the people's trust and respect and lose their own authoritativeness.

Li Teng-hui admitted that the times, the environment, and the trend are all changing, so aside from the "principles and laws for establishing the republic, the constitutional structure, and the cause of recovering the mainland," which represent the "consistent goal that will always remain unchanged," "everything else can be adjusted in light of the environmental and trend changes." However, some people in Taiwan pointed out that there was no war between the two sides of the strait for 30 years, the "mobilization and antirebellion period" should be brought to an end, and the "constitution" should be revised in light of the current situation. However, this proposal was denounced by Li as "unrealistic," because "The war planes of the CPC can cross the Taiwan Strait in 10 minutes; and the CPC now occupies an area 300 times as large as ours and a population 50 times as large as ours; moreover, the CPC has repeatedly declared that it will not give up the use of armed force against Taiwan."

However, even North Korea and South Korea, which are not separated by a strait and which have experienced more frequent and serious conflicts, hostilities, and confrontation over the past 40 years and have greater differences in their respective political systems, can begin their direct dialogue and trade. No Tae-u even proposed the holding of a North-South summit meeting. Li Teng-hui recently once again declared that "there is only one China, and China must be reunified under a

liberal and democratic system," but he lacks the courage of an enlightened statesman to comply with the trend of the times. The so-called "armed threats from the CPC" only form a propaganda pretext for rejecting any peace talks and getting entangled in the party disputes.

Yan Mingfu, Secretary of the CPC Central Committee Secretariat, a leading member of the Taiwan Affairs Group of the CPC Central Committee, and Director of the CPC Central United Front Work Department, recently told some people from Taiwan: "You should not overestimate us. In modern times, things have all become more and more perceivable. The problems in relations between the two sides of the strait cannot be solved with one side imposing its will on the other side. The development of relations between the two sides should start from exchanges, then the two sides will be able to find their common interest foundation and thus form a consensus of opinion and mutual trust, and then relations between the two sides can be upgraded step by step. Over the past years, we first stopped the gun battle, and then stopped the propaganda bombardment. Now, we have opened the artillery position in Hulishan Xiamen to tourists as a scenic spot, and the new industrial estates in Xiamen were also built within the range of the guns in Jinmen. We have also disbanded the Fuzhou Military Region which was particularly set up to fight against Taiwan. Don't all these actions show our good will?"

The CPC Makes a Major Adjustment of Its Foreign Strategy

In the last 2 years, the CPC has made a major adjustment of its foreign strategy by adapting it to the detente tendency in the world situation so that it will be able to concentrate human and material resources on economic development. The CPC refuses to make a promise of giving up the use of armed force against Taiwan, because it regards this as an internal affair on which there should not be any international promise and it also wants to maintain a deterrent against the splittist force which attempts to make Taiwan "independent."

The CPC Has Found That Taiwan Is Different From Hong Kong and Macao

The economic, cultural, and living standards gap between the mainland and Taiwan, like the gap between the eastern part and the western part of the mainland, should not constitute an obstacle to the development of the ties and exchanges between the two sides of the strait. They can make use of each other's advantages to seek common development. The Taiwan authorities refuse to enter into peace talks with the mainland, mainly because they are embittered and hardened by the prolonged political and military rivalry with the CPC over the past 60 years and more and the party disputes have become more important for them than the national interests. In addition, they regard the CPC proposal of "one country, two systems" as a united front trick, which simply relegates the Taiwan authorities to a local government. This is not an unreasonable argument if we see the original purpose of the CPC

when it put forward the idea of "one country, two systems." China has now found that Taiwan is different from Hong Kong and Macao, so Beijing has proposed that the CPC and the KMT hold negotiations on an equal footing. Reportedly, Wu Xueqian recently passed a message to the Taiwan authorities: "Once the talks start, everything can be open to discussion." This statement includes some major and delicate changes in the latest policy toward Taiwan adopted by the CPC top leadership.

Zheng Aimin, a mainland scholar born in Taiwan, recently published an article, saying that the reunification process is now bogged down in a deadlock, and the primary reason lies in the differences in the reunification models designed by the two sides. One side insists on the "Three Principles of the People"; and the other side upholds the "Four Cardinal Principles." In view of China's traditional unitary state structure, he proposed that the two sides both change their names in order to maintain both sides' fundamental interests. That is, if both sides give up their current names and adopt the same name "China," then the sensitive difficult problem may be solved and this may be accepted by both sides and the compatriots at home and abroad.

The Taiwan authorities now only want to "introduce Taiwan's experience in construction to the mainland" and do not give any consideration to peace talks, still less do they tend to adopt a reconciliatory posture like that of No Tae-u. At present, the flexibility, adaptability, and elasticity of the administrative operation of the Taiwan authorities are extremely limited. The various stern restrictions on the entry of mainland compatriots into Taiwan reflect their self-absorbed mentality in sticking to their vested interests. Will they strive for greater interests? Not necessarily. It is hard to say what will happen once there is a change in the situation.

With the relaxation of relations between the two sides, the Taiwan Strait has become an increasingly busy "golden" water route. An average of more than 200 ships carrying various national flags sail through the strait every day. There are innumerable fishing boats from both the mainland and Taiwan. At present, there are six navigation routes between Jilong, Xinzhu, Gaoxiong, Tainan, and Penghu of Taiwan on the one side and Xiamen, Fuzhou, Dongshan, and Pingtan of the mainland on the other. Now, more than 10 cargo ships are regularly voyaging between the two sides. In early August 1988, a cargo ship fully loaded with coal sailed from the mainland to Gaoxiong, and this was also a typical case of breaking through the Taiwan policy of "limiting relations with the mainland to an indirect, people-to-people, single-way, and gradualist model" and indicating the beginning of two-way trade.

Seventy Percent of Taiwan Businessmen Hope To Do Business With the Mainland

According to statistics, the volume of trade between the mainland and Taiwan via Hong Kong in 1988 reached

\$2.4 billion, or 30 times as large as 14 years ago. At present, the mainland has become Taiwan's fifth largest trade partner, and Taiwan has become the mainland's sixth largest trade partner. More than 1,900 Taiwan businessmen participated in the Guangzhou Foreign Trade Fair in the autumn of 1988. According to an investigation by Taiwan's Foreign Trade Association, 70 percent of Taiwan businessmen hope to do business with the mainland through Hong Kong. Now, many Taiwan business companies have set up branches in Hong Kong. When facing the difficulties caused by the protectionist policy of the United States and the appreciation of the Taiwan currency, many middle and small Taiwan enterprises have decided to invest outside Taiwan. In 1988, investment projects launched by Taiwan businessmen on the mainland numbered more than 300 with a total value of over \$400 million. This tendency is now still in the ascendant and is irreversible and irresistible.

The Taiwan authorities fear that the rapid development of economic exchanges between the two sides of the strait may affect the popular feelings and the security and stability on the island. Some people even asserted that Taiwan lost more than \$2.4 billion in foreign exchange reserve in 1988 in its trade with the mainland, because there was a huge balance of payment unfavorable to Taiwan. The deficit in its trade with the mainland was \$3.46 billion in 1987 and \$1.5 billion in 1988. Tao Dayong, a famous mainland economist, once said: Taiwan has to import some 20 million tons of crude oil and 7 million tons of coal each year. The oil is mainly imported from Indonesia and the Gulf countries, and the coal is mainly imported from Australia, the United States, Canada, and South Africa. The freight accounts for about 40 percent of the cost of the imported coal. If Taiwan imports coal from the mainland, it will be able to save a large sum of money from the much lower freight and can also procure high-quality coal. Therefore, many Taiwan businessmen have gone to North China to do the lucrative business. In order to reduce its trade deficit, the mainland is also willing to increase the export of coal. However, the mainland is now undergoing the economic readjustment, and has not solved the energy shortage yet. It is certain that the export of coal will be strictly controlled. In order to prevent any misunderstanding, the mainland authorities recently have also reiterated the preferential treatments given to Taiwan businessmen who are engaged in trade with the mainland and who make investment in the mainland. Obviously, with the help of the authorities concerned on the mainland, it will not be too difficult for Taiwan businessmen to continue to procure large quantities of good-quality coal from the mainland.

South Korea Now Directly Buys Goods From China and Has Become More Competitive than Taiwan. Can Taiwan Remain Indifferent?

Bilateral trade can bring substantial benefit to both sides, so a limited degree of open and legal economic exchanges will continue.

In recent years, Taiwan's main rival in business competition is South Korea, and the latter has once and again expressed its wishes to conduct direct trade with China. South Korea has indirectly imported low-cost high-quality cotton from mainland China, and the textile goods produced with these raw materials are more competitive than the Taiwan goods in the market competition. In view of this situation, it is believed that the Taiwan authorities will not be indifferent toward this "trade war," and will further relax control over non-official economic exchanges with the mainland and will gradually allow such trade relations to exist openly and legally.

The CPC Will Make New Arrangements in Coastal Provinces and Municipalities

In 1989, the mainland authorities will adopt certain concrete measures in the coast provinces and municipalities. This will include the measures for strengthening trade and economic and technological cooperation with Taiwan businessman. Not long ago, Beijing Municipality set up a consulting service company for Taiwan investors and businessmen in an attempt to provide direct consulting services for Taiwan businessmen who plan to make investment and open factories in Beijing or do business with enterprises in Beijing. It also coordinates and arranges technological and cultural exchanges. This company said that they had helped set up nine joint ventures. In another case, 11 Taiwan footwear manufacturers have planned to jointly invest in Xiamen to build a large-scale "shoe city" which can produce 12 million pairs of shoes a year.

Special Zones Will Be Designated for Investment Projects Launched by Taiwan Businessmen

A more noticeable development is that the mainland authorities have accepted some Taiwan businessmen's proposal and plan to designate some special zones in coastal areas for investment projects launched by Taiwan businessmen. More preferential treatments will be given to the investment projects inside these zones. For example, an area in the "golden triangle" between Xiamen, Zhangzhou, and Quanzhou with good transport conditions will be selected for the development of a "small Taiwan in southern Fujian" so as to facilitate the business and investment activities of the Taiwan businessmen.

After the establishment of Hainan Province, some scholars also proposed that a brand-new economic system be adopted on the island. Some people even put forward a bolder idea of carrying out the experiment of "one country, two systems" on the island, where there can be "CPC-KMT cooperation." The mainland and Taiwan can both exert government influence on the economic development on Hainan Island, thus working out an economic and political option for reunification.

Beijing expects that in the new year, there will be many noticeable new developments in the relationship between the mainland and Taiwan. So let us wait and see.

Editorial on Foreign Exchange Rates
40060365 Taipei CHING-CHI JIH-PAO in Chinese
14 Feb 89 p 2

[Editorial: "The Foreign Exchange Rate Deserves Careful Discussion"]

[Text] The foreign exchange rate has been one of the Republic of China's [ROC] most important financial and economic problems in recent years. Since the ROC economy is an export-oriented economy, fluctuations in the exchange rate, through their effects on exports, have an effect on the entire range of the country's economic activities. Any factor that in some way affects the exchange rate, will, therefore, unavoidably draw attention to the exchange rate. Recently the U.S. State Department openly suggested that the New Taiwan [NT] dollar be freely traded on the world's foreign exchange market. Regardless of whether this suggestion will be accepted or not, it is an important variable of the future, and makes it extremely worth our while to review the changing trend in the Taiwan currency exchange rate.

Most believe that the value of the NT dollar will rise against the U.S. dollar, be it in the long term or short term. In the long-term perspective, it will essentially depend on productivity. In the short term perspective, there are mainly two causes for such to happen. One is the external pressure, particularly the talk of ROC-U.S. exchange rate negotiations, which could at any time engender an upward pressure in the market. The other cause is the persistent strong psychological attitude anticipating an appreciation of the NT dollar. The reason for this is that in the past few years the ROC central bank has all along forcefully interfered in the exchange market, giving everyone the impression that the magnitude of the appreciation has not been sufficient, so that the psychological anticipation of further rises has never abated.

Although this is so, the exchange rate has always been most closely related to economic conditions. Speaking of this year's economic condition, the large growth rates of the preceding 2 years has more or less disappeared, and even if a 7 percent growth rate can still be maintained, the sources for this growth will undergo great changes. On the whole, the first half of the year the growth may perhaps still come from exports, but the growth in the latter half will probably come from the selective choice of domestic demand. Growth of exports will still continue to create an export surplus, and will of course exercise considerable pressure for appreciation, but the growth of domestic demand in the latter half, accompanied by a possible increase in imports, will diminish the favorable balance of trade, and possibly even create a small unfavorable balance of trade. If that happens, it would, of course, greatly lighten the pressure for appreciation. It follows that if the economy will not be in a state of prosperity, there will of course not be too much pressure on the exchange rate.

We must, at the same time, not forget that a large amount of hot money ["hot money" here refers to foreign currency that is sent into the country to make a quick profit on the appreciating exchange rate] has flowed into the ROC in the preceding 2 years, and that most of it is still retained in this country. Movement of this hot money has a great influence on the exchange rate. At any particular time, the owners of hot money all have an exchange rate which they believe to be normal. The disparity between this normal exchange rate and the actual exchange rate in the market determines the movement of hot money. If the normal exchange rate is lower than the actual exchange rate, not only will the hot money already in the country not be moved out, but it may cause additional hot money to flow into the country. If the normal exchange rate is higher than the actual exchange rate, the owner of the hot money may decide on taking his profits and withdraw his hot money. More importantly, speaking of the short-term perspective, if the amount of hot money is larger than the foreign exchange obtained in commodity trade, and if there is movement of hot money, this inward or outward movement of hot money may further distort the exchange rate, unless the central bank intervenes on a large scale. However, the intervention of the central bank may distort the situation in the money market. In that respect, the ROC has already had rather bitter experiences. The problem of the hot money that is already in the country and any hot money that may continue to flow into the country causes everybody extreme headaches.

Besides, another important variable is the interest rate. The normal situation is that countries with underrated exchange rates will have inordinately low interest rates. If the country with an underrated exchange rate raises its interest rate, it will induce inflow of new hot money, and as a consequence experience pressure to appreciate the value of its currency. Unfortunately, the ROC is faced with the situation of rising interest rates. There are three reasons for this. First, its favorable trade balance is shrinking, and the tempo at which it used to increase its reserve capital from trade surpluses is slowing down. Second, the central bank has adopted retrenchment measures, and the annual rate of money supply will possibly be reduced further. Third, there is trouble brewing because of the commodity prices for consumers, and this may become pretext to raise interest rates. Simply expressed, before the pressure for appreciation of the currency value has vanished, the rise in interest rates may attract a further inflow of hot money and revive serious pressures for appreciating the currency.

What this tells us is that the variables that have an important bearing on the exchange rate have already undergone changes, and that their influences on the NT dollar are now in the process of realization. If the central bank does not want to follow the same old disastrous road of the past, it must thoroughly examine ways to cope with the various trends shown by the different important variables and work out new countermeasures

regarding the exchange rate. We believe the most serious issue is to find the ways and means to expel all hot money from the country, because the hot money retained all along in the country has distorted many of our country's economic and monetary variables, and has distorted, directly and indirectly, the ROC's actual foreign exchange position. Only by first expelling all hot money will it be possible, under rational economic and monetary conditions, to find a rational position for the exchange rate of the Taiwan currency, and, starting out

anew from this position, will it be possible to have a healthy development of the ROC's foreign exchange market.

To sum up, this year, when the important factors that have a bearing on the exchange rate will possibly all undergo great changes, the authorities in charge of exchange rate matters must earnestly examine and study appropriate countermeasures, only then can the ROC's normal economic and monetary progress be considered assured.

Analysis of Mainland Influence on Hong Kong Politics

40050296a *Hong Kong MING PAO YUEKAN [MING PAO MONTHLY]* in Chinese No 278, Feb 89 pp 3-5

[Article by Xu Siqi 1776 1835 1142: "On Interference by China in Hong Kong Politics"]

[Text] As 1997 draws near, the role China plays in Hong Kong politics is a subject drawing more and more attention. There has recently been public discussion of this topic, in which two basic attitudes have dominated. It is unfortunate that both attitudes derive from subjective feelings, that they both originate in common pragmatism. They are not much use in addressing theoretical and constructive discussions of the subject just mentioned, but they may serve as negative examples.

The Separatists

An attitude that stems from subjective feelings is the one that would completely screen off China's influence beyond Hong Kong's gates. The model for this attitude had appeared during the period of discussions between England and China regarding the future of Hong Kong. There was an "isolationism" popular at the time, which held that a factor in Hong Kong's success over the past decades was its separation from the Chinese mainland, and that what assured this effective separation was the British political authority in Hong Kong. Those holding to this view unanimously opposed the return of Hong Kong's sovereignty to China. Among them were people who advocated continuing ties, and those who advocated exchanging sovereignty for governing authority, but, generally speaking, they hoped that the British would stay in Hong Kong, continuing to effectively "buffer" the Chinese mainland.

After the Sino-British joint statement and signing took effect, the number of those who advocated separation naturally diminished, but the spirit of that theory is still in circulation, and some would have it that, by establishing a democratic government, China's interference in Hong Kong politics could be forestalled; some hope to clearly delineate a range of autonomy within the basic laws, where tasks within that range would be wholly within the authority of Hong Kong citizens; even more serious are those who hold that it is not proper for leftists to participate in regional discussions or to be elected to the legislature, as they feel this is a form of interference by China in Hong Kong politics and should not be allowed.

Put simply, the emotional root of the attitudes just mentioned is anti-Communist sentiment. Many Hong Kong people share this sentiment, and it is completely understandable, but to transfer this sentiment to political policy, and to take even that to an extreme, is simply theoretically and practically untenable.

Theoretically, after Hong Kong's sovereignty is returned to China, the demand that China completely ignore the

affairs of Hong Kong is irrational. Those who advocate this position would be better off coming straight out for Hong Kong independence. In fact, if everyone were to look closely into the example that is the relations between Hong Kong and England, it would become clear that England has not been so unconcerned with Hong Kong affairs as the average person imagines. The historical files made public by the British government are compelling proof of this. The degree of interference in Hong Kong by England will become known in the disclosure of files 30 years hence.

Two different social systems are in effect in China and England, and for this reason, not without justification, dual standards are superimposed on the question of interference by China and England in Hong Kong politics. But there is one area in which China and England do not differ: although Hong Kong and the Chinese mainland are separated by a body of water, the Chinese Communists who exercise power on the Chinese mainland have always had a presence in the development of Hong Kong, and therefore any hope for a completely hands-off policy by China in Hong Kong politics, even though not unreasonable, is completely unrealistic.

The real power of the Chinese Communists in Hong Kong does not manifest itself in the form of a political party, but rather as participation in such political activities as trade unions, public organizations, cultural events, education, media, and economics. Many members of the CPC or of peripheral organizations are elements of Hong Kong society. They quite naturally have the right to participate in Hong Kong political activities. In fact, there has never been a complete separation between Hong Kong and the Chinese mainland, for through various channels a real Chinese Communist power has taken control in Hong Kong. The British have been able to restrict China's activities at the state or bureaucratic level. What has truly separated Hong Kong from the Chinese mainland has not been the lines demarcating sovereignty, but the gulf between the two social systems. Activity that reflects the real power of Chinese Communists in Hong Kong has never attracted majority opinion toward the mainland.

Generally speaking, the desire to completely put an end to interference by China in Hong Kong politics after 1997 is a battle sure to be lost.

An Alliance of the Rulers

In contrast to the other attitude, the spirit of those advocating this unwinnable battle is a praiseworthy one. This is because the other attitude emanates from vulgar pragmatism, advocating setting up an alliance of rulers in Hong Kong, centered on China.

The primary basis for establishing this sort of alliance is that when the Hong Kong-British political power is removed in 1997, the danger of a power vacuum will appear in Hong Kong. Because the local society has no

constituted political force, it will be hard to assume the burden of political authority, and therefore the only way out is for China to take on the responsibility of organizing political authority. This would attract some people who have an interest in serving in government and would constitute an alliance of rulers with China at the center.

Superficially speaking, the argument just offered is not unreasonable. The problem is: what would be the goal of establishing an alliance of rulers with China at the center? And, is that goal desirable? If not, is there another more desirable goal? And, would these more desirable goals be completely unattainable? If we ignore these questions for the moment, to rapidly create this alliance of rulers with China at the center would be to flee in the face of the real difficulties and to take what appears to be a smooth route. The trouble is, there is still a quagmire at the end of this road.

Setting up an alliance of rulers with China at its center would resolve the problem of the transfer of political authority, and if the transfer of political authority were the only problem in 1997, then it would also be acceptable for China to directly dispatch a group of officials to manage Hong Kong, and it would definitely not be worthwhile to waste so much effort to create the alliance of rulers with China at its head.

When political authority is transferred in 1997, Hong Kong will not only need to resolve the possible problem of a power vacuum, but will also have to ascertain the principle of Hong Kong citizens ruling Hong Kong and of a high-level autonomy. These principles were proposed on the initiative of China itself, and the proposal was not simply to satisfy the demands of Hong Kong citizens, but was also for China to become clear about this, for if there were to be no rule of Hong Kong by its citizens or high-level autonomy, it would be difficult to maintain the prosperity and stability of Hong Kong, and China would have suffered a great loss.

There is a serious contradiction between establishing an alliance of rulers with China at its center and the principles of Hong Kong being ruled by its citizens and of high-level autonomy. If those who advocate such a move did not do China an injustice, then they would be believing that the principles of Hong Kong rule by its citizens and of high-level autonomy are fundamentally unrealizable. If Hong Kong is ruled by its citizens, then these people would be better off advocating the direct transfer of management of Hong Kong to China, which would save all the trouble of setting up this alliance of whatever rules.

Obviously, the attitude just described will not stand up to strict scrutiny. The danger of a power vacuum at the time of transfer of political authority would naturally be a difficult problem, but resolving this difficulty by "killing the goose that lays the golden eggs" is to misunderstand both Hong Kong and China.

Dealing With the Chinese Communists on Their Own Merits

We can summarize the preceding discussion by saying that to a certain degree, China's interference in Hong Kong politics is unavoidable, but that interference should be limited, and the question is whether collating and stipulating the standards for that limit will violate the principles of Hong Kong ruled by its citizens and of a high-level autonomy. Of course, in principle the standards described above are not difficult to recognize, but are difficult to carry out. Carrying out these principles would be harder than a wholesale rejection of the communists or than the establishment of a dictatorship with China as the center. But encountering difficulties does not mean we should give up. We should not be deserters in the face of real difficulties.

On this question of how to deal with interference by China in Hong Kong politics, I certainly have no clever scheme up my sleeve, but can only offer a basic attitude or basic tactic for reference, namely, "deal with people on their own merits."

One item within this concept is that we should oppose Chinese officials overstepping the authority provided them by law and their interference with the internal affairs of Hong Kong, but we should welcome participation by leftists in Hong Kong politics. On the former point, the basic laws will outline the authority and standards for the participation of China in Hong Kong internal affairs, and we should work to see that these standards are respected. Leftists are only an element of Hong Kong society and we have no reason to exclude them from political activities, and if the leftists join in this local system they may be encouraged to be responsible for this system. Also, if they can affect Hong Kong politics through the system itself, this could reduce their tendency to resort to influence outside the system.

Another item having to do with this idea of dealing with people on their own merits is what we mean by this term 'China', about which we should become clearer. We often see the terms 'China,' 'Chinese Communists,' 'Chinese,' or 'Chinese figures,' but I believe that few people could state clearly whom we mean by these terms.

China has only one sovereign political force, and for that reason when we discuss interference by China in Hong Kong politics, we may actually say that it is the CPC that is interfering in Hong Kong politics. But since the CPC carries on its political activities through various organizations and forms, the particular conductors of these activities are flesh and blood people. In our indiscriminate use of 'CPC' as a general tactical phrase, we should not see them as some "monolithic block."

As far as the official structure of the Chinese Communists is concerned, decisions made regarding the Hong Kong problem are drawn up by the Politburo of the Central Committee of the CPC (in the past, when Hu

Yaobang was the General Secretary, power was possibly concentrated in the secretariat, which made the Politburo a mere figurehead), but I believe that final say on major problems is still coming from Deng Xiaoping himself. We may say that things that have been decided by the Politburo and have been approved by Deng Xiaoping are the framework within which Chinese Communist policies on Hong Kong are decided, but within this framework several different organizations are involved in the Hong Kong question, and they are not necessarily unanimous in their opinions on all particular matters.

As far as bureaucratic structures are concerned, the Office in Charge of Hong Kong and Macao was set up under the State Council of China, and it is responsible for the overall planning of efforts in Hong Kong. Actually, the Hong Kong Office of the XINHUA News Agency is an "agency" of the State Council. In addition to these two organizations, the Ministry of Foreign Affairs is also often involved with Hong Kong problems, and the chief Chinese members in charge of the Sino-British Joint Communications Working Group and the territorial working group all come from the Ministry of Foreign Affairs, for which reasons the Office in Charge of Hong Kong and Macao was set up under that ministry. In addition, although the current leadership level of the drafting committee in charge of drafting the basic laws was arranged by the Office in Charge of Hong Kong and Macao, the drafting committee will eventually be reporting to the Standing Committee of the National People's Congress [NPC]. Some of the higher level members of that committee are also part of the drafting committee, and they will have a distinct influence on work on the basic law.

We can summarize the situation described above by saying that there are at least four systems of the Chinese bureaucracy that are involved in Hong Kong affairs: the Office in Charge of Hong Kong and Macao, the Hong Kong Office of XINHUA News Agency, the Ministry of Foreign Affairs, and the Standing Committee of the NPC.

These four systems originally each had a range of duties, and for this reason their responsibilities in Hong Kong should be divided accordingly, but actually the work schedule of the Chinese Communists is not arranged according to the responsibilities stipulated in regulations, but rather is derived from the authority accorded personnel.

Contradictions Within the Chinese Communist System

In the past, work in the several systems just mentioned was controlled by the Office in Charge of Hong Kong and Macao because that office was formerly headed by Liao Chengzhi. Liao Chengzhi enjoyed high prestige and commanded universal respect within the CPC, and he was also a member of the Politburo. At the end of 1982, before China had restored the positions of President and

Vice President of the PRC, Liao Chengzhi was internally designated as the vice president of the PRC, but died before assuming this high office.

Not long after Liao's death, the Chinese Communists sent to Hong Kong Xu Jiatur, who was at that time a member of the Central Committee and who had formerly been the first secretary of the Jiangsu Province party committee. Great changes occurred in the balance of real power among the several systems assigned responsibilities in Hong Kong affairs. Because of Xu's high status, the authority of the Hong Kong Office of XINHUA grew rapidly. (In fact, the party established the Hong Kong-Macao Handling Committee as a local communist party organization, so the growth in true authority should have been in this organization, but since the leadership of the Hong Kong-Macao Handling Committee is more or less the same as that of the Hong Kong office of XINHUA, in the rest of this article I will refer to the local organizations of the CPC in Hong Kong as the Hong Kong XINHUA.) However, Xu Jiatur certainly does not have the stature and reputation that Liao Chengzhi had, nor are the officials of the other several systems which are merely run of the mill.

As far as status is concerned, the Hong Kong-Macao Office (HKMO) is at the same level as the Hong Kong branch of XINHUA, and although the Director of HKMO, Ji Pengfei, has retired from the Central Committee, his seniority is quite high, and not below that of Xu Jiatur. Ji Pengfei was once minister of the Ministry of Foreign Affairs and was also a close associate of the former PRC President, Li Xiannian, for which reasons his voice carries a definite weight.

Regarding the Hong Kong office that is subordinate to the Ministry of Foreign Affairs, in rank it is lower than both the HKMO and the Hong Kong XINHUA, so it would be hard for either Ke Zaishuo [2688 0961 7007] or Guo Fengmin [6753 0023 3046] to contend with either Xu Jiatur or Ji Pengfei. But in recent years, the former minister of the Ministry of Foreign Affairs, Wu Xueqian, has been rising rapidly within Chinese Communist political circles. He is at present a member of the Politburo and belongs to the faction in power, and I believe he is still controlling the affairs of the Ministry of Foreign Affairs from afar. If problems having to do with Hong Kong diplomacy were to reach the desk of Wu Xueqian, I believe that he could have a great deal of influence.

In the past, the Standing Committee system of the NPC was in the decisionmaking process of the CPC, and never really played an important role. But during the 5 years during which Peng Zhen has been chairman of the NPC Standing Committee, the stature of that body has risen. Peng Zhen resigned from the position of chairman at the April 1988 meeting of the first session of the 7th NPC, but many people in the NPC leadership ranks are high-ranking officials he promoted, so it is quite possible that Peng Zhen is the "old man" of the NPC system. The

power that can be exerted by the NPC Standing Committee in the affairs of Hong Kong is still limited, but all in all, it is still qualified to join in this "power play."

It is not strange that there is infighting among these systems within this power play. From the outcry by Xu Jiatusun at the end of 1985 that he "will not operate by following a manual" to the violation of the joint statement disturbance caused by an interview with Li Hou [2621 0683] in LIAOWANG in 1987, there have been deficiencies in attitudes shown in the several systems, hinting at fault finding within the ranks.

In addition to the official systems, the Chinese Communists also have a large civilian system in Hong Kong, that which we have been calling "the leftists." For the most part, this system is directed by the Hong Kong XINHUA, but because the leftists have their own connections in society, and are certainly not active as members or cadres of the CPC, their political tendencies and working methods are not necessarily entirely similar. There are some problems with differences in understanding between the Chinese Communist official systems and the unofficial systems (the leftists) in Hong Kong.

The analysis just presented emphasizes bringing out the distinctions within the various Chinese Communist systems, and the major premise of this analysis is that, although the Chinese Communists are willing to have uniform principles and policies, differences between the various systems may be distinguished within that framework. From yet another angle, each system will play a distinct role in decisions made by the Chinese Communists about problems having to do with Hong Kong because there is no overwhelming power that can bridge the differences. For particular problems that have not been decided, differences among the various systems could possibly be quite sharp.

An Overall Strategy for Dealing With the Chinese Communists

Dealing with various systems within the CPC on the merits of each is certainly not a fantasy through which to dissolve the organization of that party, but just as the CPC can undertake an overall strategy for dealing with the people of Hong Kong, why could not the people of Hong Kong have a counter strategy toward the CPC? Rather than join with those who cry loudly that the Chinese Communists should not effect an overall strategy for Hong Kong, it would be better if we joined this play.

The significance of enacting a counter strategy to the Chinese Communists is that the people of Hong Kong need not draw clear lines of demarcation between themselves and the Chinese Communists. That is, on the contrary, unrealistic and not as good as mixing with them, each as part of the other. I believe that the more contact personnel within the Chinese Communist systems have with the people of Hong Kong, the more they will sympathize with the viewpoints of the people of Hong Kong.

In contrast to stragglers and deserters and to those people of Hong Kong who do not have a high political standard, the Chinese Communists undoubtedly constitute a colossus, and what I mean by undertaking a counter strategy to the Chinese Communists should not raise hopes too high. However, in a situation in which there is great disparity between the strong and the weak, the weak are still not doomed to defeat, for what is important is how to make the best of what is good and to minimize what is bad. As far as the people of Hong Kong are concerned, the weak point of the Chinese Communists is the lack of familiarity with the Hong Kong situation. Even though the Chinese Communists have set up an alliance of rulers with themselves as the center of things, that alliance is certain to include Hong Kong citizens as representatives, and many specific affairs of government must depend upon Hong Kong citizens. If the people of Hong Kong make good use of the situation, it is possible that Chinese Communist interference in Hong Kong politics can be kept to a minimum.

The results of the foregoing views of attitudes toward interference by China in Hong Kong politics will be primarily determined by two conditions. First, whether the Chinese Communists would be reasonable, which is to say, whether they would play the game by the rules. During the irrational years, as for example during the period of the Cultural Revolution, we could never have even talked about how to deal with the Chinese Communists, but could only choose between two choices: either flee from politics or heroically sacrifice ourselves. Second, the political standards of the people of Hong Kong, which includes the mobilization of the masses and the degree of their consciousness, as well as the skill with which political leaders handle relations with the Chinese Communists.

The first condition proposed in this article is outside the realm of control by the people of Hong Kong, but the second is one that can be progressively improved by the citizens of Hong Kong through subjective effort. Of all things on earth, half the outcome is by luck and the other half by ourselves. The goal of this paper is to make a rudimentary introduction to the problem so that the people of Hong Kong will examine their own plights and attitudes to the greatest extent possible in order to control their own fate.

Maria Tam Wai-chu Expresses Confidence in Political Future of Hong Kong

*40050295c Beijing FAZHI RIBAO in Chinese
7 Jan 89 p 4*

[Article by Zhang Chunming 1728 2504 2494: "I Have Full Confidence in Hong Kong's Future; An Interview With Hong Kong's Basic Law Drafting Committee Member Tam Wai-chu"]

[Text] "After over three years of contact, I believe that there is no doubt about China's sincerity in implementing 'one country, two system.'" At the end of November

last year [1988], when the Hong Kong Special Administrative District Basic Law Drafting Committee Special Topics Group met in Guangzhou, on the eve of the meeting, Ms Tam Wai-chu [Tan Hui-zhu 6223 1920 3796], member of the Central Committee and member of the Hong Kong Special Administrative District Relations Group was interviewed by reporters. She began her talk with the reporters radiant with happiness.

Committee Member Tam Wai-chu cited three reasons to explain the issues she raised. She said that the first reason was the public nature of the Basic Law. In the process of formulating the Basic Law, the China committee spent a great deal of time not only listening to the views of the Hong Kong members of the Drafting Committee, but also heard the views of the Advisory Committee and, through the Advisory Committee, heard widely the views of Hong Kong people from all strata. At the same time, in the process of drafting the Basic Law, the content of the Chinese and English texts of the draft made public to society was used simultaneously. This has never happened in any country in the world and there are no precedents. Thus, it was helpful in the debate at meetings of Hong Kong legislative bodies and foreign countries (England). In addition, press conferences have been used to make the content and views of the special topics group discussions made known to the public. Also, the degree of consultation on the Basic Law Draft has also been extensive and in-depth. Then, Committee Member Tam Wai-chu raised the second reason. She said that many of the formulations and revisions of articles in the Basic Law Draft by members of the Chinese committee were derived from the advisory views of various Hong Kong circles. The views proposed by the two Hong Kong lawyer groups and seven other representative groups after their visit to China were considered in particular. The third reason Committee Member Tam Wai-chu discussed was that the Basic Law Special Topics Group was composed of members from both China and Hong Kong and that the convenors of the group were also one person each from China and Hong Kong. In their discussions, not a single plan was written by one person. All plans were achieved through discussion and the ballot was not used.

In her youth, Ms Tam Wai-chu, who is over forty, graduated from the College of Law at London University and is now a well-known Hong Kong lawyer. She is a member of the Hong Kong Legislative and Executive Councils, she has been chosen as "Outstanding Hong Kong Youth" and is well known in Hong Kong.

Then Committee Member Tam Wai-chu began to discuss her views on the different opinions of the committee members from both places in the discussions on revising the Basic Law Draft. She said that when the Special Topics Group discussed revising the Basic Law Draft, committee members from both places definitely had different views and opinions, even to the point that some committee members also had their own views clearly preserved in the revised draft. However, these were

"mostly issues of a technical nature." This is because committee members from both places had different legal training and concepts and this created some "difficulties" in revising the Basic Law Draft. At this point, Committee Member Tam pointed out immediately that everyone was sincere about doing a good job on the Basic Law.

When the discussion turned to the views of Hong Kong residents on the Basic Law Draft, Committee Member Tam said that Hong Kong people place a great deal of emphasis on human rights and freedoms. Hong Kong residents' understanding of China is the result of observation of the situation which appeared in the process of China's earlier development. They have some preconceived ideas, there are still some doubts in their minds and they are afraid that the Central Committee will interfere in Hong Kong too much. Committee Member Tam feels that the more rights the Central Committee allows the Hong Kong Special Administrative District, the more at ease Hong Kong residents will be. She added that in the past few years, between the two places there have been more and more mutual visits and mutual understanding, and that mutual contact has played a very big role and that there is a common language.

As the conversation was about to conclude, Committee Member Tam said enthusiastically, "We have full confidence in Hong Kong's future. Hong Kong can be one of China's seaports and a door to attract foreign capital to China. China can also use the seaport of Hong Kong to help Zhu Jiang valley develop even faster."

Prospects for Involvement by Hong Kong Leftists in Post-1997 Politics

*40050295b Hong Kong MING PAO in Chinese
31 Jan 89 p 7*

[Article by Wu Ai-yi 0702 7224 0308: "How Will Hong Kong's Left Get Involved in Party Government?"]

[Text] Since the formation of parties by Hong Kong citizens already has the tacit consent of Chinese officials, the next question clearly is: How will Hong Kong's left get involved in Hong Kong's party government?

The Chinese Government must have a policy on this issue and if they have not yet formulated one, they soon will and the possibilities to be considered range from direct public participation to no participation whatsoever.

First of all, we can reject the possibility of "no participation whatsoever." This is very clear and I need not add any further explanation.

However, although it sounds absurd, "direct public participation," i.e., the possibility of participating in elections and accepting government appointments under the clear banner of the Communist Party, cannot be rejected. Anyone who knows Hong Kong knows that

public involvement by the Communist Party is the same as a death sentence to Hong Kong's prosperity and stability and the confidence of Hong Kong people, but we must note that the Beijing policy makers do not necessarily know Hong Kong people well. The fact that they want to control Hong Kong and regain sovereignty over it betrays their attitude that they have the right to be so involved and their belief that direct public participation is a viable possibility.

In long range terms in particular, if a situation which cannot be controlled appears in Hong Kong, such as the appearance of a powerful independent local political party, or an increase in activity which criticizes and opposes the government, or any other factor, the possibility of public participation is bound to be supported by the Beijing policymakers.

Three Modes of Behind-the-Scenes Participation

Yet, although the possibility of direct participation cannot be rejected, the possibility of indirect and behind-the-scenes participation is undoubtedly much greater.

Generally speaking, indirect and behind-the-scenes participation can be divided into three types. The most undisguised is to make existing leftist organizations, such as leftist labor societies or commercial associations, the front for selecting members or officials of these organizations to participate in elections and accept government appointments, participate in public discussions, and to express their opinions and criticisms through the media in order to achieve the goals of promoting Chinese communist standpoint and policies.

The effect of this type of indirect, behind-the-scenes participation on Hong Kong may not be much different from the effect of direct public participation because this type of participation does not basically differ much from direct participation.

The second type of indirect, behind-the-scenes participation is through support of certain political parties. There may be two types of support: one is money, the other is people. Hong Kong's XINHUA News Agency does not necessarily have much foreign exchange to send, but it certainly influences many Hong Kong businessmen and can get them to provide money. As concerns "people," they can help do things and organize activity, such as manpower for electioneering and the votes of this manpower. If examples are necessary, refer to achievements of the leftist agencies in the "one man, one letter" public opinion survey opposed to direct elections in 1988 and use as reference the 1987 review of the political system.

All political parties need money and people. Elite political parties which lack grassroots support, in particular, need people; grassroots political parties are always poor and desperately need money. Both types of political parties need organizationally skilled leadership, especially in the

initial stages. Thus, any newly established political party can easily be influenced by the leftist organizations.

One reason they are particularly easy to influence is that no Hong Kong political party can refuse to act as an intermediary for Beijing or Chinese officials or a Hong Kong leftist organization. Refusal is neither sensible nor practical, yet how one turns an unstable exchange into a reverse influence or even control by others is something which cannot be done without a high degree of political skill and wisdom.

The third form of indirect behind-the-scenes participation, which is even more removed and decentralized, is not through support and control of a political party, but is by supporting selected individuals or groups whose line and attitude conform to China's policy towards Hong Kong.

In spirit, the third form is more in consonance with the autonomy of Hong Kong, but actually there is not much difference between the two. This is because before long the public will know that anyone who obtains the support of the left will follow one of Beijing's lines.

Thus the effect on Hong Kong of the second and third type of indirect behind-the-scenes participation can be discussed simultaneously and most of the time are the same, but differ in degree.

The most basic effect is that the Chinese Government becomes involved in Hong Kong politics through controlling elections. If it appears in Chinese Communist-controlled political parties, then the involvement is more systematic, more obviously planned and more evident. If the Chinese Communists provides organized support to those individuals and organizations whose standpoint and ideology they feel deserved support, then the degree of involvement might be fairly shallow. But the situation which might appear, apart from viewing it as a crucial policy, is that Hong Kong still has a great deal of autonomy.

The Fate of "High Degree of Autonomy"

As the time draws near when the Chinese Communists get involved in Hong Kong through party politics (this time may be much sooner than people generally think), what will be the fate of Hong Kong's "high degree of autonomy"?

This depends on two factors: the most important is Beijing's policy towards Hong Kong and the other is the determination of Hong Kong people, although compared to the former it is like the comparison between a rock and an egg.

From a basic standpoint, the idea that the right of Hong Kong people to enjoy a high degree of autonomy after 1997 comes from the "Sino-British Joint Declaration." The Chinese Government has accepted the policy of one country, two systems and Hong Kong people governing

Hong Kong, and has expressed it in the form of a legally binding international agreement. This is because Hong Kong is of great benefit to China economically, and to maintain China's interests it is necessary to maintain the stability and prosperity of Hong Kong. These basic reasons have not yet changed; thus, the Chinese Government should put this Hong Kong policy into effect.

To get support for this basic standpoint, the Chinese Government can carry out its agreement of non-involvement and Hong Kong will be secure. Indirect, behind-the-scenes participation may thus be only of the third type or

there may be self-imposed restrictions on the degree of involvement.

The task Hong Kong people should accept is to do their utmost to ask Beijing to agree to implement the policy towards Hong Kong which they have agreed to in the "Sino-British Joint Declaration." At the same time, Hong Kong people must raise their consciousness, understand the changes taking place around them, and ensure their ballots are cast only for people who truly have Hong Kong's interests at heart.