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NATIONAL AFFAIRS, POLICY

State Rights Crucial to Shareholding Experiments

91C0775A Beijing JINGJI YU GUANLI YANJIU
[RESEARCH ON ECONOMICS AND
MANAGEMENT] in Chinese No 4, 8 Aug 91 pp 35-40

[Article by Wang Jianhua (3769 1696 5478): "State Property Rights Crucial to Shareholding Experiments"]

[Excerpts] State-owned enterprises began experimenting with the shareholding system in 1984 in the course of economic structural reform. The Tianqiao Department Store Shareholding Company, Ltd., of Beijing, founded in July 1984, was the first shareholding company in the nation to register with the State Administration for Industry and Commerce. Subsequently pilot projects in the shareholding system that revolved around public ownership went under way across the nation. During the past few years, the many experimental enterprises overcame all sorts of difficulties including resistance from old institutions and old ideas and carried out useful experimentation. In the realm of commodity circulation, enterprises experimenting with the shareholding system may be organized in one of the following ways. One, it may be a shareholding limited company based on a large- or medium-sized state-owned retail enterprise that offers shares internally and externally. Two, it may be a shareholding limited company made up of a certain number of related small- and medium-sized retail enterprises. The shareholding company was created by converting properties into shares, merging managerial organs, and issuing shares in society. Three, it may be a company of limited liability that is centered on a large- or medium-sized state-owned wholesale enterprise. It was created by absorbing the capital of other small- and medium-sized wholesale enterprises in the form of shares. Fourth, it may be a shareholding joint company, the result of joint investment by several enterprises. Experimenting with the shareholding system has helped expand the decision-making authority of enterprises in their operations, revitalize them, accelerate enterprise development, consolidate horizontal economic associations, and expedite enterprise merger. Despite their many flaws and anomalies, the pilot projects are invaluable as a source of experience and data for our research on the socialist shareholding system. This article proposes to offer some suggestions on solving the problems that have emerged during the experiments in the shareholding system by state-owned commercial enterprises.

1. The nominalization of state property rights has hampered the institutionalization of shareholding experiments.

The shareholding system was born in response to the needs of the development of a modern commodity economy and socialized mass production. It is a form of organization that clarifies and standardizes enterprise property rights relations. However, there are some problems in China's experiments in the shareholding system

which make it impossible for the enterprise to fully realize the benefits of the system. That, in turn, has given the critics of the shareholding system ammunition with which to attack it. Essentially these are the problems.

1) Dividends are paid at different rates. Some experimental enterprises keep interest and pay dividends on personal shares and legal-person shares while paying dividends only on state shares without paying interest. Other experimental enterprises pay dividends at different rates depending on whether they are state shares, legal person shares, or individual shares, with individual shares and state shares having the highest and lowest rates, respectively. The result is unequal distribution of benefits.

2) Property assessment is inaccurate and biased. Property assessment is the basis for the distribution of shares and is vital to the interests of shareholders. On the one hand, during their conversion into shareholding enterprises, some state-owned commercial enterprises converted existing state assets into shares based on their book value. Yet as the prices of capital goods rose sharply, the real value, that is, replacement value, of fixed assets has gotten higher not only than the book value but also the original value. The undervaluing of state properties, in effect, sacrifices the interests of the state shareholder in favor of other shareholders. On the other hand, most experimental enterprises were built on former large and mid-sized state-owned commercial enterprises with a good reputation and a high standard of enterprise management. These are intangible assets that have profound implications for the margin of profit, yet they were not taken into consideration as state properties. This further eats into the interests of the state shareholder.

3) Dividends on state shares are not properly managed or put to use. In some experimental enterprises, the dividends of state shares remain in the enterprise as part of the production development fund. But the number of state shares is not increased correspondingly. In effect the enterprises are using the dividends on state shares without paying for them. The resultant increase in property value has greatly boosted the value of shares of some shareholding enterprises, in some cases as much as five times the face value. This situation shows that the interests of the state shareholder have been captured by others.

4) Offering enterprise shares. After introducing the shareholding system on a trial basis, some state-owned commercial enterprises turned enterprise-retained profits owned by the state into enterprise shares, eroding state properties and returns on such properties. Faced with opposition to this practice, some enterprises have changed enterprise shares into state shares retained for enterprise use. While the ultimate ownership of such shares resides in the state, the latter cannot dispose of them or profit from them. In reality, so-called ultimate ownership is unattainable.

5) Allowing shareholders to return their shares. The charters of some experimental enterprises stipulate that units and individuals that buy shares shall be allowed to return them. When enterprise profits are rising, all shareholders benefit in that their dividends all go up. When enterprise profits are declining, some shareholders withdraw their capital. The risk of an enterprise is mostly borne by the state shareholder. State shares thus become special shares through which other shareholders pass on the risk. This too contributes to the inequality in rights and interests between the state shareholder and other shareholders.

Equality in share rights, including power and interests, is fundamental to the shareholding system. In certain experimental enterprises, however, the holders of individual shares and legal-person shares or their representatives are present physically, whereas the representative of the owner of state properties is absent; state properties have no real representative. In some experimental enterprises, such a representative does exist who also serves as chairman of the board. But what responsibilities should the representative of state share rights discharge? Whom should he held accountable to? How do we make the representative of state share rights fulfill his functions and duties? None of this is clear. As a result, the representative cannot really represent the wishes and interests of the state property owner. Given this situation, it is inevitable that the interests of state shares are damaged.

What primarily gave rise to all these problems is the nominalization of property rights. Nominally speaking, state properties belong to the whole people and the state is the general representative of owners of state properties. The functions of the owners of state properties are scattered among an array of government departments. The result is fragmented management and a lack of clarity in the division of functions and responsibilities. Everybody represents the owner of state properties but nobody is in a position to centralize in his hands the function of property rights management. Nor is he clearly held responsible for increasing the value of state properties. Moreover, the fact that the ownership of state properties is an appendage of the administrative function of government only further blurs the responsibility of the owner. This situation is the basic cause of the functional confusion of the representative of state share rights in shareholding enterprises today.

Accordingly, improving the state property rights system and strengthening property rights restraints is pivotal to making shareholding experiments a success and standardizing the shareholding system. [passage omitted]

3. Perfecting the management of state share rights in shareholding experiments.

The institutionalization of state property rights touches upon a wide variety of issues. As far as shareholding experiments are concerned, it is essentially a question of the management of state share rights. Only by resolving

this issue can we effectively safeguard the legitimate rights and interests of the owner of state properties in shareholding enterprises, fully realize state share rights, and promote the healthy development of shareholding experimental work on the right track.

Accordingly, we should concentrate on doing a good job in the following areas for the moment:

1) Set up state property management departments as well as organizations to handle properties.

As the management agencies for state properties, more and more state property management bureaus have been set up at the central and local levels. After they started operating, they should standardize the management behavior with property rights functions and responsibilities and impose effective centralized management and supervision on the operations and use of state properties. Local state property management bureaus should operate as agencies of the State Administration of State property and divide their jurisdictions in accordance with the principle of centralized leadership and level-by-level management. On the whole, however, the primary responsibility of a bureau should be the macro management or high-level management of state properties. It should focus on the macro allocation of state properties. By formulating policies, laws, and regulations, improving the management system, and applying tools of economic regulation, it should expedite the rationalization of the industrial mix, trade mix, geographical mix, and organizational mix of the operations of state properties, ensure an increase in the return on state properties, and enable the state economy to play a leading role in the national economy.

If the state property management bureau is to concentrate its energies on making this kind of macro or high-level management a success, we must set up an intermediate body—a comprehensive trade-based state property investment company—between the State Administration of State Property, on the one hand, and enterprises that directly use state properties, on the other. This body shall be a profit-oriented organization that actually carries out the responsibility of managing state properties. The state property management bureau appoints the state property investment company as the representative of state properties and institutionalizes and restrains its investment behavior and operations by creating an assignment responsibility system. The state property investment company may be created from scratch by the state property management bureau or converted from an existing investment company. The state property investment company shall submit itself to the supervision and management of the state property management bureau above and exercises the power of an owner vis-a-vis enterprises that use state properties below within limits authorized by the state property management bureau. The establishment and perfection of state property management organs and state property operational organs essentially consolidates the separation between the function of state property management

and that of state properties operation by taking advantage of the separation of the dual economic functions of the state. Such a separation will help bring the ownership of state properties closer to reality.

As far as commodity circulation is concerned, the commercial investment company exercises the power of an owner vis-a-vis state-owned commercial enterprises. When the enterprise goes in for contracting and leasing, the commercial investment company shall be the party that offers the contract or lease. When a state-owned commercial enterprise starts a pilot project in shareholding, the commercial investment company shall participate in drawing up the plan of the experiment and the charter of the shareholding company in its capacity as the state shareholder. In addition, it shall own shares of the shareholding company and exercise the various powers of the state shareholder.

2) Separate profits from taxes and clarify the right of the state shareholder to returns on state shares.

The fusion between profits and taxes in state-owned enterprises is a tangible sign of the duality and confusion of the economic functions of the state in the realm of distribution. To adapt to the separation of the dual economic functions of the state, we must separate profits from taxes and separate the returns that the state is entitled to as the owner of properties from the taxes that each and every enterprise must pay. The profound significance of profit-tax separation lies in clearly realizing the right to earn a return on state properties and expediting the improvement of the system of state property rights. It is particularly important that the shareholding enterprise, whose ownership has been diversified, separates profits from taxes if it is to live up to the principle that all kinds of owners, including the state shareholder, have equal right to earn a profit on their properties and realize the notion of equal shares, equal profits.

To facilitate fair competition between enterprises, the state should levy a uniform progressive excess tax on all enterprises irrespective of their ownership and scale of operations. There should be three tax rates, for low-income, middle-income, and high-income enterprises. The top rate should not exceed 35 percent, so that the tax burden of an enterprise would be commensurate with its incomes. With the phasing out of the energy and transportation construction fund and the extra-budget regulating fund and the systematic acceleration of appreciation, we should abolish pre-tax loan repayment by enterprises. Instead, the enterprise should repay its debts with depreciation funds and after-tax profits. Returns on state properties, including the profits of after-tax contracting, rents, property use fees, and the dividends on state shares, should be collected by the state property investment company at the instruction of the state property management bureau. After taxes are separated from profits, the state investment system too should be reformed correspondingly to separate the government's investment behavior from the owner's investment

behavior. In the future, state investment in public facilities of a service nature should be handled by the Ministry of Finance while investment in profit-making enterprises should be the responsibility of the State Administration of State Property as guided by the national industrial policy. The actual investment should be done by the state property investment company as authorized by the state property management bureau. As the state shareholder of a commercial shareholding enterprise, the commercial investment company should be paid dividends to which it is entitled and use the dividends to get the highest returns. It should plow the money into the most promising commercial shareholding enterprises, thus converting dividends into additional state shares. The commercial investment company should adjust the targets of its investment flexibly through the buying and selling of shares, bring about the optimal allocation of state commercial properties, and continuously enhance the ability of state commercial properties to increase value.

3) Do a good job in property evaluation and define state share rights properly.

Property evaluation is basic to the development of a shareholding enterprise from a state-owned enterprise. The accuracy of such evaluation directly impacts the proper definition of state share rights. To comply with the principle of giving all kinds of shareholders equal share benefits, uniform standards should be used to assess their value irrespective of whether the shareholder has invested with fixed assets or with money. Because of the steep rise in the prices of capital goods, the value of fixed assets should be determined based on replacement cost. In terms of sources, commercial enterprises obtain most of their working capital from bank loans and raise only a small portion on their own. In terms of usage, most working capital takes the form of commodities or account-settlement funds. In assessing liquid properties, therefore, the first thing to do is to verify the enterprise's liabilities and determine the real value of the liquid properties based on market value. And then there is the evaluation of intangible assets such as reputation. Based on the characteristics of commercial enterprises, we may compare the profit to fund rate of commercial enterprises in the same trade in the same locality to figure out the magnitude of economic benefits generated by intangible assets. We can then assess the value of such assets based on the average profit to fund rate for the trade in question. The international rule of thumb is that the value of intangible assets should not exceed 20 percent of registered capital.

To ensure the fairness and authoritativeness of property evaluation and protect the rights and interests of property owners, the property owner should ask a property evaluation body certified by the appropriate government agency, such as a property evaluation firm, an accounting firm, or an auditing firm, to carry out property evaluation. Evaluation results must be verified by the state property management department and other investors.

4) Clearly define the functions and responsibilities of state share rights representative and the board of directors.

As the state shareholder of a shareholding enterprise, the state property investment company discharges the functions and responsibilities of the owner and sends a representative of share rights to the shareholding enterprise to take part in the shareholders' meeting and meetings of the board of directors and help shape the enterprise's major decisions. It will be the explicit responsibility of the representative of state share rights to protect state property rights and interests. He should report regularly to the state property investment company on the increase, decrease, or other changes in state properties and how profitably they are being operated. It is also his duty to make sure that dividends on state shares are paid to the government in full on time. The representative of state share rights shall not be an administrative cadre, but a selected entrepreneur and economic work expert. Through the mechanisms of interest and competition, the state property investment company shall encourage the representative to fulfill his responsibilities.

In enterprises where the state is the majority shareholder, the representative of state share rights serves as the chairman of the board of directors as well. The role of the representative is closely related to that of the board. The duty of the board is not limited to holding two or three meetings each year to rubber-stamp the decisions of the general manager. The board of directors is elected by the shareholders to be the highest decision-making body in the shareholding enterprise. It is the common representative of the wishes and interests of all owners, including the state shareholder. The board of directors examines and considers all major issues including the enterprise's development plan, business objectives, investment priorities, profit distribution plan, and the appointment and dismissal of the general manager and takes a decision on them. It is accountable to all shareholders. The board also must supervise and assess the work of the senior managerial personnel, including the general manager. Remuneration should be determined and decisions involving rewards and punishments made on the basis of such assessment. The idea is to make sure the operators are devoted to their duties and behave rationally. In addition, the board of directors should redouble efforts to build up the work system and invite experts and scholars in society to join the board to broaden the mix of knowledge among the directors and make decisionmaking democratic and scientific.

Finally, it needs to be stressed that the management of state share rights is an important part of the development of a state property rights system. As such it involves a host of economic relations both inside and outside the shareholding enterprise. To realize state share rights, therefore, we must formulate and improve a set of appropriate laws and regulations, make rules for assorted related economic activities, and spell out the responsibilities, powers, and interests of every party in

order to reduce confusion and conflicts in economic activities and put the management of state share rights and even of all state properties on a legal footing so that it will continue to improve and help institutionalize shareholding experiments.

Article on Shareholding Cooperative System

HK2810105391 Beijing LIAOWANG in Chinese No 38,
23 Sep 91 pp 18-19

[Article by Wang Jue (3769 3778): "Shareholding Cooperative Enterprises—Useful Exploration"]

[Text] Judged from the shareholding cooperative system in the several experimental zones of rural reform in Shandong's Zhoucun, Anhui's Fuyang, and Zhejiang's Wenzhou, although the situation is complicated and most of them are in the initial stage, it is not difficult to see that the system of the shareholding cooperative economy can become a better way to deepen economic restructuring in the rural areas.

The emergence of the shareholding cooperative system is a phenomenon which is in accordance with the law of the process of rural reform in our country.

In the vast rural areas of our country, after achieving the reform bringing in the system of contracted responsibility on the household basis with remuneration linked to output, world-renowned achievements have been made. These achievements are mainly manifested by the emergence of a large number of professional operators of various kinds, hence breaking through the long-existing old pattern of natural economy in the rural areas and beginning the change to commodity economy. This kind of change means developing in the direction in which a large amount of surplus labor shifts from primary industry to secondary and tertiary industries. Hence, township and town enterprises have developed rapidly, the building of material and spiritual civilizations in the vast rural areas has leaped forward, and many peasants have gone from poverty to the affluence which they had dreamed of day and night, leading to a comfortable life that is more than having adequate food and clothing. However, this kind of economic style, which has households as units and individual laborers as the foundation, has continued to reveal its limitations characteristic of petty production. They can only look for a way out by improving scale, standard, and returns, so as to facilitate further development. Therefore, they cannot but practice union on this preliminary foundation of division of labor in society. Among many patterns of union, naturally the shareholding cooperative system has begun to take shape. Through the party's and government's prompt guidance and support, the shareholding cooperative system economy has emerged as the times required. Therefore, we can say that the shareholding cooperative system economy has emerged alongside the development of division of labor in society and the development of commodity economy amid the rural reform in China, that it is in accordance with the law and demands of the

development of social productive forces, and that it is an advanced new thing which should be given active support and correct guidance.

The typical pattern of shareholding cooperative system is a new cooperative system, and it should belong to the domain of socialist collective economy.

The problem of the nature of the shareholding cooperative system is a problem which the people are most concerned about and have most discussion about. Because the shareholding cooperative system, which is formed by union, is still at the initial stage, its pattern is very complicated, and it is rather difficult to define its nature. However, judging from the more typical of its patterns, its basic feature is the union of labor and capital as the main body, that is, it is a union of labor and a union of capital. The main body of the union is laborers on the one hand and owners of capital on the other. Therefore, it is correct to say it is a new cooperative economy belonging to the domain of socialist collective economy. Judged from the internal conditions of the shareholding cooperative system, first, it enables laborers to change from dispersed individual labor to united collective labor. It overcomes the limitations of individual labor on the one hand, and avoids the exploiting nature of employer-employee relations on the other, forming a united laboring organization which has a certain scale of returns, equality, and reciprocity. Second, it changes dispersed private property into collectively owned property in the form of shareholding, enabling ownership of property to undergo decomposition of a social nature. Thus, it ensures laborers possessing property attain individual ownership rights through gains in the shareholding pattern, and enables dispersed individual physical property to become socialized property commonly controlled by enterprises. Because this kind of physical property cannot be divided and retrieved, it can guarantee the integrity and stability of enterprises and, under the socialist system, it becomes collective property owned by society. Third, the principle of income distribution for this kind of shareholding cooperative system has a very high proportion of distribution according to work. Within the proportion of distribution according to capital, a large portion is used for accumulation and expanding reproduction. At the same time, apart from the portion for taxation, there must be production preparation funds (accumulation funds), labor protection funds (welfare funds), education funds, and so on. These actually form the property publicly owned by society.

Let us look at the external conditions. The shareholding system is situated on the big social premise with the socialist ownership system economy as the mainstay and guidance. At the same time, it has the macroeconomic regulation and control policy of a socialist country as guidance. Through industrial policy, taxation policy, and the labor and social welfare policy, the state can ensure that the shareholding cooperative system economy develops healthily in the direction of the socialist road. To sum up the above discussion, we can say that the

shareholding cooperative system is an improved form for the current individual economy in the rural areas to attain the ownership system of socialist collective economy.

The shareholding cooperative system can become an important means to attain industrialization in the rural areas, as well as to attain commercialized, socialized, and modernized production, thus it can become an important component part of the building of a socialist economy with Chinese characteristics.

Judged from the current situation of the initial stage, its future development may appear in two basic patterns. First, labor and capital unified in the same main body of the shareholding cooperative system. This is a more typical pattern, and we should make efforts to induce the extensive development of this kind of shareholding cooperative economy. Second, the number of members of a shareholding cooperative system is limited. In addition, many workers are hired to work but not to invest. The advantage of this pattern is great flexibility in operation, while its shortcoming is that it may become a private shareholding economy, but it is nevertheless better than petty production, and if we can properly guide it we may gradually absorb a large number of workers who buy shares, and enable it to develop in the direction of a shareholding cooperative system.

Judged from the actual situation in Zhoucun, Fuyang, and Wenzhou, there is much room for the shareholding cooperative economy to develop; on the basis of continually summing up experience in practice, we should develop and improve its content and style so as to enable this kind of shareholding cooperative economy, which has Chinese characteristics, to develop healthily.

Price Adjustments With Minimal Inflation

92CE0021A Beijing JIAGE LILUN YU SHIJIAN
[PRICE: THEORY AND PRACTICE] in Chinese No 8,
20 Aug 91 pp 23-26

[Article by Chen Jun (7115 1498) and Zhang Yaohai (1728 5069 3189): "Price Adjustments Successfully Introduced; Inflation Lower Than Projected"]

[Text] The national economy has been growing satisfactorily since the beginning of the year. Measures to adjust prices have been successfully introduced by the government and the overall price level has risen very modestly. People have reacted strongly to increases in the selling prices of grain and oil but the market has largely been stable. Price rises are expected to be moderate in the second half of the year and the increase in the overall retail price level for the year as a whole will be lower than the projected target. We should be able to further enliven the enterprise in various ways and revive the economy in the second half of the year.

Economic Environment Facing Prices Today

Price movements are a function of the money supply, the agricultural situation, the intensity of price regulation and control, and public psychology and changes in interest rates. At present everything is quite normal in those four areas with no significant changes.

Money supply. The money supply was largely normal in the first six months of the year. The momentum of rapid growth in the money supply and credit, which occurred in the second half of 1990, has remained undiminished and it is now taking longer for money to be withdrawn from circulation than last year. However, most of the credit goes to circulation and the mix of credit is largely sound. Beginning in the second quarter, banks have seen a substantial increase in the net inflow of cash and the financial situation is basically stable. Easing credit has proven effective in stimulating the economy. The gross value of industrial output is projected to grow 13 percent in the first half of this year. No major irregularities are foreseen in money supply and credit in the next few months. For the year as a whole, the money supply and the scale of lending should meet or approximate the targets set at the beginning of the year.

Agriculture. According to data from the agencies concerned, the amount of acreage under economic crops increased this year compared to last year while that under grain cultivation declined. Beginning in summer, the nation has been hit by both drought and flooding to the detriment of crop growth. The summer grain crop was hit by plant diseases, insect pests, and hot dry wind toward the end of the season. In most areas, however, the production situation has been reasonably good and summer grain output is projected to be close to last year's level. Because of the bumper grain crop two years ago and ample grain reserves, a bumper fall crop will further stabilize the market and prices. Even a shortfall in grain output this year will not have much of an impact on food prices. The aggressive effort in "food basket engineering" by local governments at all levels over the past several years has paid off; the market is now well stocked with nonstaple food. The output of economic crops such as sugar-bearing crops and cotton may exceed that of last year. Live pig and fresh egg production has been good. All this will help stabilize the prices of nonstaple foodstuff.

Interest rates and public psychology. The second round of cuts in interest rates on deposits has had little impact on the market. While the increase in savings deposits has moderated somewhat, both bond trading and transactions on the stock market have picked up substantially. Between January and May, wages and social commodity retail sales rose 18.4 percent and 13.6 percent, respectively, over the same period last year. Citizens' savings deposits increased a net 108.4 billion yuan, up 18.4 percent. The consumption psychology and behavior of members of the public are gradually maturing. Faced with price reform in housing, health care, and education, people are now more inclined to save for a rainy day.

The intensity of price regulation and control. The intensity of price regulation and control as planned by the State Council is in line with the economy this year. The next few months will see a continuation of the various policies and measures already planned for this year. No major changes are expected in the overall macroeconomic climate.

Currently the major problems in national economic operations are the poor economic performance of some enterprises turning out good with little market demand and the sluggish sales of some commodities resulting from problems in the product mix. At this time, we should work harder to think of ways to adjust the product mix and boost commodity sales in order to expedite economic development.

Planned Price Adjustments Successfully Introduced

The state has taken advantage of the favorable opportunity existent today to adjust the prices of certain key commodities. So far all planned price adjustments scheduled for this year by the central government have been unveiled. Among the major adjustments are:

1. **Agricultural products.** On 1 January, the state adjusted the producer prices of timber turned over to the state from state-owned forests in Sichuan and Yunnan. Specifically, the base price of standard pine logs was adjusted from 119 yuan to 192 yuan. The price of logs to be used in the making of plywood was raised 10 percent based on the prices of logs for processing, assuming they are from the same kind of tree, meet the same specifications, and are of the same grade. The producer prices of logs from Yunnan Province would be set by the province using the prices of their Sichuan counterparts as a guide.

On 1 January, monopoly procurement prices were replaced by procurement prices as allocation prices for imported grain within the plan. The allocation price of wheat was increased from 376 yuan to 509 yuan per ton, up 35.4 percent; rice, from 538 yuan to 639 yuan, up 18.8 percent; and corn, from 252 yuan to 344 yuan, up 36.5 percent.

On 1 May, the monopoly procurement prices of low-priced grain and cooking oils were adjusted. The national monopoly procurement prices of rice, flour, and corn went up 67 percent, or 0.10 yuan, per 500 grams on the average, while the monopoly procurement prices of six kinds of cooking oil rose 169 percent to 1.35 yuan per 500 grams on the average. In Guangdong and Fujian, the prices of rationed grain for urban residents rose 0.15 yuan per 500 grams, more than anywhere else in the country. In Hainan Province, the nation's leader in price reform, the procurement price of grain increased from 25 yuan to 50 yuan per 50 kilograms and the selling price of rationed grain for urban residents rose from 0.16 yuan to 0.5 yuan per 500 grams. Moreover, these prices are now state guidance prices, free to fluctuate upward or downward by 5 percent. After the prices of grain and cooking oils were increased, each worker was given a monthly subsidy of 6 yuan, a little more in Hainan.

2. Light Industrial Products

On 1 March, the producer prices of newsprint in the command plan were raised. Class B newsprint 51 now costs 2,650 yuan per ton, up from 2,000 yuan, and Class C newsprint 51 costs 2,800 yuan, up from 2,150 yuan, an increase of 31.4 percent on the average. The price of Class A newsprint remains unchanged at 3,000 yuan per ton.

3. Heavy industrial products

On 1 January the ex-factory prices of "Liberation" and "Dongfeng" automobiles, which are in the command plan, were adjusted. A "Liberation" CA 141, a "Dongfeng" EQ 140-1, and a "Dongfeng" EQF 140-1 now cost 32,700 yuan, 29,500 yuan, and 31,400 yuan, respectively. These are average ex-factory prices. Enterprises may raise or lower them by 10 percent.

On 1 February, the prices of iron and steel products were adjusted. The ex-factory price of iron concentrate (containing 62 percent iron) was raised from 97 yuan to 115 yuan per ton; steel-smelting pig iron, from 484 yuan to 610 yuan per ton; casting pig iron, from 555 yuan to 650 yuan per ton, and carbon structural steel billet, from 800 yuan to 950 yuan per ton. At the same time, the prices of pig iron were allowed to float within a range of 10 percent. The dual-track pricing system was abolished for tin-plated plate and cold-rolling electrical steel plate. Instead a single-price system was applied to steel production, both in and outside the plan. The national price ceiling for iron and steel products outside the plan was lowered.

On 1 January, the producer prices of crude oil were raised. The average price of low-priced oil was raised from 171 yuan to 205 yuan per ton nationwide, an increase of 34 yuan, of which 13 yuan will be put into the petroleum prospecting and development fund. The price of high-priced crude oil also went up 34 yuan. On 10 March, the ex-factory price of finished petroleum products were raised. Among low-priced finished petroleum products, the price of gasoline was raised from 617 yuan to 717 yuan per ton, up 16 percent; kerosene, from 452 yuan to 532 yuan per ton on the average, up 17 percent; aviation fuel, from 494 yuan to 602 yuan per ton on the average, up 22 percent; nonagricultural diesel oil, from 335 yuan to 462 yuan per ton on the average, up 37 percent; nonchemical fertilizer heavy oil, from 123 yuan to 198 yuan per ton on the average, up 60 percent; and non-chemical fertilizer naphtha, from 380 yuan to 435 yuan per ton on the average, up 14 percent. Among high-priced finished petroleum products, the ex-factory price of gasoline was raised from 835 yuan to 905 yuan per ton on the average, up 8.4 percent; aviation fuel, from 890 yuan to 940 yuan per ton on the average, up 5.6 percent; diesel oil, from 707 yuan to 787 yuan per ton on the average, up 11.4 percent; and coke, from 230 yuan to 430 yuan per ton on the average, up 87 percent. The selling prices of finished petroleum products were also

raised correspondingly. The wholesale prices of low-priced finished petroleum products and the ex-factory prices of various standard oils were raised by the following amounts nationwide on the average: gasoline No 70, 92 yuan per ton; diesel oil No 10, 129 yuan per ton; and kerosene, 80 yuan per ton in Yunnan, Guizhou, Guangdong, Guangxi, Hunan, Hubei, Hainan, and eastern Sichuan, and 90 yuan per ton elsewhere. On the average an extra 20 yuan per ton are paid out to offset transportation and miscellaneous charges. The ceilings for the wholesale price of low-priced petroleum products are as follows: No 70 gasoline, 860 yuan; kerosene, 805 yuan; and diesel oil, 750 yuan.

On 1 April, the dual-track pricing system was abolished for cement and replaced by a system of uniform government prices. The ex-factory price of slag cement No 425 was set at 110 yuan per ton.

4. Charges

On 1 March, rail freight was raised by an average 2 li per ton kilometer. There is no increase in freight for cargo consisting of grain, salt, cooking oil, chemical fertilizers, or vulcanized iron ore. Also unchanged are rail freights for meat and vegetables transported by regular freight train. For the varieties of goods affected, the actual increase was 2.5 li per ton kilometer. The charge for self vehicles was raised 7 li.

This fall the costs of teaching materials for college and technical secondary school students were raised 5 or 6 fen per page. The charges for teaching materials on specialized courses in science and engineering were increased to 0.25 yuan per page at the maximum, the charges for teaching materials on basic courses were raised to 0.21 yuan at a maximum. At the technical secondary school level, the charges for teaching materials on specialized courses were increased to 0.23 yuan at a maximum while charges for teaching materials on basic courses were increased to 0.20 yuan at a maximum.

Also in March the state decreased from 13 to 5 the number of commodities where a price increase by a local government requires special permission from the State Council.

In addition, the state has adjusted the prices of a small number of commodities and fees. Local governments too have adjusted the prices of some commodities and fees. Essentially what they did was to increase the prices of some grain and oil products and a small number of service charges based on the plan of the authorities at a higher level and in light of local conditions. By and large, price increases have been successfully introduced and have basically achieved the hoped-for results. They will facilitate the adjustment of the industrial structure and help ease the financial burden, straighten out the price system, promote production, and guide consumption.

The Characteristics of Price Changes in the First Half of the Year; Projecting Trends for the Second Half of the Year

Price movements in the first half of the year have these notable features:

1. Price adjustments are wide-ranging but the rise in the overall retail prices has been modest.

In a break with the practices of the last few years, all planned price adjustments were completed within the first half of the year. Such adjustments involve not only important basic products like crude oil, rail freight, and iron and steel, but also grain and cooking oil, the prices of which had remained unchanged for over 20 years. But even though the impact was significant, the increase in the overall level of retail prices has been modest. According to data from the State Statistics Bureau, retail prices rose 1.4 percent, 1 percent, 0.9 percent, 0.6 percent, and 3.1 percent respectively, from January through May this year, compared with the same months last year. The overall increase for the first half of 1991 was under 2 percent. Compared to the preceding month, the price index rose 2 percent in January, 0.2 percent in February, and 0.3 percent in March, slipped 0.6 percent in April, and climbed back up 1.4 percent in May.

The overall retail price level was up 3.3 percent in May over December last year. Specifically grain prices climbed 24.5 percent; nonstaple food, down 0.1 percent; meat, poultry, and eggs, down 1.4 percent; fresh vegetables, down 31 percent; clothing, up 4.9 percent; articles of daily use, up 1.7 percent; fuels, up 4.6 percent; and entertainment and electrical appliances, down 1.4 percent.

2. The price changes are of a distinctly structural nature. There are sharp differences in the changes of the three kinds of prices. The increase in government-set prices has been considerable while market prices have dropped slightly. As far as the retail prices of consumer goods are concerned, government-set prices rose 17 percent in May compared to late last year. During the same period, government guidance prices inched up 1.6 percent while market prices fell 0.6 percent. The country fair trade price index, which reacts sensitively to the economy, has been falling for 20 straight months since October 1988, down 12.2 percent in May this year compared to May 1989 and down 5.5 percent compared to May 1990. Among government-set commodity prices, those set by the central government rose 28.4 percent, including a 69 percent jump in the prices of agricultural products, while those set by local authorities rose 4.9 percent. Among industrial capital goods, prices within the plan increased in a controlled fashion while those outside the plan rose in some instances and fell in others but largely held steady. Since the second quarter, the sales of industrial capital goods have improved and the prices of capital-construction-related capital goods have increased appreciably. The price of thread steel rose from 1,592 yuan to 1,630 yuan per ton between late last year and mid-May, up 2.4 percent, while that of wire rod rose from 1,495 yuan to 1,658 yuan, up 10.9 percent.

The prices of agricultural capital goods have held steady, with some rising slightly. The overall price level of agricultural capital goods was up 1.5 percent in May over last January, mainly due to increases in the prices of chemical fertilizers and plastic membrane on the eve of spring plowing. Prices stabilized during the second quarter, with the price index dropping 0.2 percent in April compared to the previous month and remaining largely unchanged in May.

3. Price adjustments varied from region to region, with prices rising significantly faster in urban areas. Structural price adjustments have had a greater impact in townships, especially large cities. Between January and May, the overall retail price level in the nation's 35 large- and medium-sized cities rose 4.4 percent over the same period last year, compared to the nation's average of just 2.9 percent. In May, the retail price level in Beijing, Tianjin, and Shanghai rose 9.5 percent, 10.2 percent, and 10.2 percent, respectively. Service charges rose even faster, climbing a whopping 23.3 percent in the 35 large- and medium-sized cities between January and May, 14 percentage points more than the national average. Since last April, control on service charges has been tightened everywhere. Thus far this year cases involving 3.3 billion yuan in arbitrarily collected service charges have been investigated and dealt with. After the prices of grain and oil were increased, practically no locality has moved to raise service charges. In May, service charges rose just 0.1 percent over April. The momentum of increase in this area has been checked.

Price movements in the first half of this year and their impact show that the Chinese economy is currently operating normally, with no obvious inflation. From what we know today, the thrust of government price work in the second half of the year is to intensify the reform and improvement of the price management system in order to stabilize society and enhance public confidence. The prices of the vast majority of commodities will remain stable. Barring major additional price adjustments, the overall retail price level for the entire year will remain at about 4 percent, lower than the target of 6 percent set earlier.

PROVINCIAL

Fujian Governor on Market Economy

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[Article by Fujian Provincial Governor Jia Qinglin: "Enterprise Quality Is Key to Improved Economic Performance"]

[Text]

I.

The Seventh Plenary Session of the 13th CPC Central Committee expressly put forward that we must take improvement of economic performance as a significant

guiding principle for China's future economic development and the center of all economic work. To improve the economic performance of industries is a systems engineering task and, in order to achieve this, we must work hard to improve the external environment and internal quality of enterprises. Obviously, it is impossible to create high-quality products, or better economic results, without high-quality enterprises. Judging from this point of view, the performance issue is also an issue of quality.

So-called enterprise quality includes technology quality, management quality, and human quality. Technological quality mainly shows the technology level of an enterprise, indicated by its science and technology knowledge, the technical skills of its laborers, the technology standards of machinery and equipment, and the processing capability. Since this labor is sophisticated, management's task is organizing and coordinating the means of productive forces. To a considerable extent, whether or not such means are rationally arranged, and whether or not such means are fully utilized, depends on management skill. Human quality is the major factor in the process of social reproduction. Therefore, in order to increase the economic results and improve enterprise quality, we must carry out the work by starting from the areas of science and technology, management, and improvement of staff quality. This is the only solution.

For the past decade and more, under the guidance of CPC Committee policies concerning reforms and opening up, Fujian Province has made full use of the "special policies, and flexible measures" granted by the central authorities; by arranging work around the core of economic construction, we did a lot to continuously strengthen enterprise quality. For example, we formulated a series of policies and measures which conformed with the province's situation and which helped enterprises make technological progress. We systematically and emphatically imported advanced technology from abroad, so that a number of key industries and core enterprises could transform themselves. The technology level of industries such as textiles, electronics, machine-building, plastics, electric home appliances, food, building materials, chemicals, and so forth was remarkably enhanced. We actively encouraged the adoption of various kinds of contracted responsibility system and carried out corresponding reforms in the personnel, labor, and distribution systems. We strengthened the internal management of enterprises, worked hard to cut their material consumption and costs, and helped them enhance their standards. Now, 80 enterprises in the province have been awarded the title of State Second-Class Enterprise; 636 enterprises have been ranked Provincial Advanced Enterprises; and many enterprises became Provincial Basic Enterprises (advanced local enterprises). With improved quality, enterprises can effectively boost the economic performance of industries. Between 1979 and 1990, the province's gross industrial output value for enterprises above county level (taking the 1980 figure as the constant figure

throughout) increased from 7,290 to 40,660 million yuan, or by 4.6 times. The amount of profits and taxes delivered by enterprises increased from 1,290 to 4,490 million yuan, or by 2.4 times. The fixed assets ratio of industrial enterprises practicing independent accounting increased from 127.3 to 141.9 percent.

Generally speaking, however, because of long-standing restrictions on productivity and unfavorable influences from the existing system, Fujian's poor economic performance was still a highly prominent issue. As many as one-third of the province's enterprises were in the red. Compared to 1979, the output value-profits ratio, sales revenue-profit ratio, and capital-profits ratio made by industrial enterprises practicing independent accounting in 1990 dropped from 20.34, 12.26, and 23.4 percent to 17.42, 5.42, and 20.63 percent respectively. Compared to other enterprises at the same level, there was still a wide gap between the economic performance index of enterprises and that of advanced provinces. In 1990, the province's overall labor productivity was about 50 percent lower than Shanghai and its industrial capital-profits ratio was 9.1 percent lower than Shanghai. There were objective, as well as subjective, reasons for the province's poor economic performance. The problem was also caused by profound contradictions accumulated over the years and certain rectification and consolidation measures which failed to dovetail with each other or to address problems. Nevertheless, one of the profound reasons for this was poor enterprise quality and we found it difficult to adapt to changes in the external environment; our competitiveness became weak in the market; and we were unable to offset expenses relating to policy-making. This is the basic problem which adversely affected the economic performance.

II.

When improving enterprise quality, we must focus on, and do a good job in, the inside of enterprises. The move to improve the enterprise quality is actually to help enterprises modernize themselves and really switch their focus of development onto the practice of attaching great importance to science and technology, scientific management skills, and labor quality, and to continuously boost the economic vitality and reserve strength of the socialist economy.

1. We must place the enhancement of enterprise's scientific and technological progress in a strategic position and invigorate enterprises by relying on science and technology. Science and technology is the first productive force. Judged from this viewpoint, enterprise quality is determined by its scientific and technological progress. In the wake of rapid development in science and technology, and its rapid transformation into a productive force, it has become apparent that the present competition among enterprises for survival and development is a competition of technology standards. Without a strong desire to make, and a mechanism for continuously making, technological progress, an enterprise would inevitably become weakened and would eventually be

eliminated amidst keen competition. Therefore, in respect of the province's work concerning enterprises, it is still an important task, at present and in the future, that we should understand the significance of continuously enhancing technological progress and, when developing production and improving economic performance, we should really focus on work relying more on technological progress.

In respect of work relying on technological progress, our guiding ideology is to bring into full play Fujian's advantages of being a coastal and open area. In addition, the purpose is to act according to the province's actual conditions, such as economic strength, science and technology capability, and resources, to: Center our work around improvement of the industrial performance; actively make use of achievements of new technology revolution made in China and abroad; flexibly integrate imported technology with transformation of backward technology; selectively develop new and high technology; devote major efforts to transforming traditional technology; establish a multilevel and open system of industry technology which takes applicable technology as the basis, gives priority to advanced technology, and develops from low standards to higher ones; and to strive to realize a strategic change in the focal point from extensive farming into intensive farming.

In order to make technological progress, there must be a certain amount of guaranty funds. Therefore, we must adopt effective policies and boost enterprises' capability of self-accumulation and self-development. Recently, the provincial government worked out, on the basis of investigations and studies, policies concerning revaluation methods of enterprises regarding fixed assets and their methods of allocating depreciation funds. These lay particular emphasis on the present problem that the cost of equipment deviates from the price of replacement and gradually causes different enterprises to raise their depreciation rate for fixed assets from the present average level of less than 5 percent to 7 to 10 percent or above. It also raises the allocation rate of technology development fund, which is based on sales volume, from the present level of 0.3 percent to 1 percent. To enterprises undertaking the state's major industrial tasks regarding technological transformation, or which are incapable of repaying loans, the provincial government extends the loan repayment term appropriately, or partially reduces or exempts them from product tax or value added tax. It encourages enterprises to actively carry out technological transformation by using funds they have raised themselves, bank loans, financed funds, foreign capital, and so on.

Furthermore, when encouraging enterprises to make technological progress, we must bring into play the province's advantage of being a pilot area for carrying out comprehensive reforms. At present, Fujian has the best opportunities to open up to the outside world. We must adopt flexible and varied measures for "import-transformation-export-development." We must actively

attract Taiwan, Hongkong, Overseas Chinese, and foreign investors to make investment in the province and import advanced technology to transform the old enterprises. At the same time, we must intensify reforms in the science and technology system, actively encourage the combination between scientific research units and productive enterprises, and speed up the process of transforming science and technology into a productive force. We must encourage scientific research units, and personnel from such units, to take part in enterprise contracts and technology development; organize scientific research units and productive enterprises to jointly invest in and develop new technology; and encourage, on this basis, a gradual combination between scientific research units and productive enterprises, as well as the formation of closed, and semi-closed scientific research-productive combines, or industry-technology-trade enterprise groups. Enterprises that have the conditions should form bodies to carry out scientific research and development, perfect their systems for examining technology and quality, and should establish and perfect their mechanisms for making technological progress. We should continue to adopt preferential policies, strive to reach the advanced standards of China, and of the world, and do a good job in building the high and new technology parks and zones in Fuzhou and Xiamen, as well as the Quanzhou-Jinjiang-Shishi "science and technology corridor." When we develop industries using high and new technology, we should strengthen the assimilation and absorption of imported technology and make innovations. We should encourage science and technology parks, as well as foreign-invested enterprises, to transfer their technology to state-run enterprises by using technology as capital contributions, transferring patent rights, and engaging in cooperative development, so that the province's enterprises achieve a coordinated development of technological progress.

2. We must establish a modern management system, which conforms to the modern enterprises and is marked with Chinese characteristics, and strive to improve the economic performance. Modern enterprises are entities combining modern technology with modern management skills. Without first-class management skills, it is impossible to develop a first-class enterprise or achieve a first-class performance. In order to improve the quality of enterprise management, we must establish and perfect a strict responsibility system, as well as efficient decisionmaking system, which conform to the national situation; meet the demand for large-scale production, as well as specialized and socialized development; and promote an optimized combination of means of production. Toward this aim we must, from now on, work hard in the following areas:

—We should continue to intensify reforms, establish an enterprise system which conforms to socialized large-scale production, change the operating mechanism, and boost the internal vitality of enterprises. In the next round of contracting enterprise operations we must work hard to find a contract system that both

gives encouragement and has restrictions, as well as both competition and protection, to mobilize the enthusiasm of individuals and safeguard the integrity, as well as increase the value, of state-owned assets. We should lay particular emphasis on rationalization in two aspects: Rationalizing the labor relations inside enterprises by implementing a labor contract system for the whole staff; and rationalizing the distribution system inside enterprises by abolishing the "big rice pot" and perfecting the method of linking labor efficiency to payment, to gradually form an internal distribution system that mainly takes position and skills as the criteria for determining the wage level. We have worked out plans this year to select several enterprises to run pilot schemes in this respect and shall gradually popularize the experience gained upon completion.

—We should carry out activities regarding the "year of quality, variety, and efficiency" and strengthen basic, as well as modern, management skills in enterprises. First, we must strengthen on-the-spot management skills, perfect various rules and regulations, and do a good job in the organization of teams and groups, to boost the efficiency of on-the-spot management. Second, we should actively carry out activities encouraging enterprises to upgrade themselves and set up a system providing guarantees for modern enterprise management in five aspects: First, we should establish and perfect a comprehensive quality management system which focuses on product quality and job quality. Second, we should establish and perfect an economic accounting system that increases revenue, cuts expenses, speeds up fund circulation, increases the rate of capital utilization, and sets up internal banking facilities. Third, we should establish and perfect a system that saves electricity, coal, water, and timber and makes the best use of goods and materials, energy resources, and equipment. Fourth, we should establish and perfect a system which safeguards safety production. Fifth, we should establish and perfect a system that provides guarantees for the ideological and political work by expanding the numbers of workers who possess the "four have's" and bring into play the enthusiasm and creativeness of staff. In actual work, enterprises with different management bases must focus on the core of modernizing the management skills; lay a good foundation for the work; and gradually upgrade themselves by working hard to achieve different management standards. All enterprises, no matter at what level, must continue to pursue their effective and modern management skills and means, such as quality management, value engineering management, network technology management, and target management. In addition, they should pay attention to applying these accordingly, to optimize the overall management of enterprises.

—We should actively explore, according to the needs of reform and opening up, ways of enterprise management which conform with international practice. We

should realize that modern enterprises in the West, as well as foreign-invested enterprises, are advanced in several areas. In particular, we should draw lessons from their operations, which are successful in respect of sales, decisionmaking, development strategy, recruitment, organizational set up, financing, and internal distribution. Beginning in 1988, the province made use of its advantages, that is, the favorable conditions concerning opening up and its large number of foreign-invested enterprises, running a pilot scheme among enterprises from certain cities adopting the international practice. For example, it succeeded and gained experience in running a "special economic zone of enterprises" and importing the operating mechanism and management skills of foreign-invested enterprises. We should base ourselves on this foundation, continue striving to attain world advanced enterprise management standards and develop, step by step, a management system which conforms to international practice while being marked with Chinese characteristics.

3. We should strengthen building contingents of workers and confirm the dominant position of mankind in modern enterprises. In the course of development, how the initiative and creativeness of the staff of an enterprise are brought into play directly affects the destiny of that enterprise. Therefore, we should place the work of improving the quality of the whole staff, as well as business managers and the work of mobilizing the enthusiasm of mankind, in the most significant position of perfecting the development strategy of enterprises. We must include vocational education in technology into enterprises' development plans, strive to increase our investment in the development of intellectual property, set up a system of on-the-job training, and constantly raise the political quality, technology quality, and professional quality of workers. In particular, we must act in accordance with the development of new products, new technology, and new markets; do a good job in updating workers' knowledge and carrying out technical training; do well in building enterprises and the party, and in conducting education in socialist ideology; strengthen professional and ethical education, as well as education in ideals and discipline; and cultivate the entrepreneurship of striving for enhancement and innovations. In addition, we must guide the workers to correctly understand the relations of interests in reforms; to establish the correct viewpoint on reforms by proceeding from the overall, and long-term, interests of the state and the people; to act with the Daqing spirit, as well as iron man spirit, of striving for self-reliance, working hard, having a breadth of vision about the overall situation, and being much concerned about the state; and to propose ways and means to properly run the socialist enterprises. At the same time, we must strengthen building the democratic system and wholeheartedly rely on the working class to run the enterprises properly. Last year, the province started a pilot scheme to build a democratic system for enterprises among 100 selected enterprises. Beginning from the "hot spots" and "difficult spots," we

established various kinds of democratic system, so that factory directors (managers) established the concept of relying on the workers to run their enterprises properly. The workers also enhanced their awareness of democratic participation, thereby mobilizing the enthusiasm of enterprise cadres and workers and directly promoting the development of production. From now on, we must conscientiously sum up and popularize the experience gained by these experimental units, so that the work of building a democratic system for enterprises will develop in such a way that the internal distribution will become open, the process of decisionmaking will be subject to certain procedures, the assessment of cadres will be standardized, contacts between cadres and the masses will become frequent, and there will be a training system for workers. Furthermore, we should constantly strengthen enterprises' internal and external supervisory mechanisms, to ensure that various systems are strictly carried out.

III.

It is also very important that we should strengthen our macroeconomic control, optimize macroeconomic readjustment, and further handle the relations between the state and enterprises properly, to tap the internal potential of enterprises and to continuously improve enterprise quality.

For a long time past there has not been any explicit distinction between the duty of our government to perform macroeconomic readjustment and the microeconomic functions of enterprises. Following implementation of the contracted responsibility system for enterprises, particularly the promulgation of the "Enterprises Law," however, the relations between these two were defined. Nevertheless, there was no rational operating mechanism for enterprises because of their failure to carry out corresponding reforms, certain problems in their actual work, and an imperfect socialist market system. On the one hand, enterprises failed to have the proper status of being a legal person, or relatively independent rights, duties, or interests. Many government departments still directly interfered with the specific operations of enterprises and apportioned expenses to, and collected funds from, them under various pretexts so that they became responsible for many social functions which would otherwise be undertaken by the government. On the other hand, to a considerable extent the enterprises depended so much on the government to provide the means of production, as well as product markets, that they basically did not put an end to their dependency on the government and lacked the internal incentive to improve their quality. Therefore, rationalizing the relations between the government and enterprises, and optimizing the macroeconomic readjustment system, have become significant conditions for improving enterprise quality. Specifically, we must first seriously enforce the state laws, regulations, and relevant policies and gradually provide a legal background for the macroeconomic readjustment. We should: Seriously enforce the "Enterprises Law" and clarify the legal status

of enterprises; enforce the right of autonomy of enterprises; eliminate unnecessary administrative intervention; resolutely check acts of arbitrarily imposing fines, apportioning expenses, and collecting funds; and strictly check various types of enterprise inspection to ease the burden of enterprises and to protect their legitimate rights. Second, we must earnestly work out industrial policies which suit the province's situation; create an external environment for enterprises to engage in fair competition; be good at applying the economic levers; make arrangements for the means of coordination; and put their independent operations under the guidance of the government's industrial policies. Third, we must actively and cautiously establish stockholding systems in experimental areas and rationalize the relationship regarding property rights. Fourth, we must establish and develop intermediate organizations to act as middlemen between the government and enterprises. Examples of this type are the guilds, which should be established and gradually bring into play their role of coordination in their particular trades. We have planned to run pilot schemes in Quanzhou and Jianou, to gradually form a new system of trade management, which takes trade management departments as the lead and trade economic organizations as the middlemen, and in which enterprises of the same trade carry out self-coordination. The other type is enterprise grouping. Experience gained in China and abroad indicates that enterprise groups are not only an effective business organization for optimizing the relations among enterprises, and for improving the economic scale, but also a better intermediate organization which rationalizes the relations between the government and enterprises, strengthens government-enterprise links, and acts as a communications channel between the two. In addition, it has increasingly become a merging point of market economy and planned readjustment. We must further speed up the formation, perfection, and development of enterprise groups, and bring into full play their powerful advantages.

In the wake of the establishment and perfection of a new system for the socialist planned commodity economy, enterprises have increasingly become the principal part of the market. The production and business situation in enterprises determines whether the market is thriving or in depression. In return, the extent of how thriving or recessive is such production and business is limited by the market. Therefore, in optimizing the system of macroeconomic readjustment, we must also pay attention to developing a socialist market system. Proceeding from the province's reality of being an experimental area for conducting comprehensive reforms, we must act with reference to the international market and establish a fair, smooth, comprehensive, and efficient market system conforming with the international market, tallies with the state's unified market, and is compatible with the government's readjustment mechanism. At the same time, we should promptly establish and perfect a social security system to encourage the elimination of poor enterprises, as well as the optimization of the means of

production, through market competition and to reduce the risks of enterprises in competition and the social impact of competition.

In strengthening the macroeconomic readjustment, we must start from invigorating enterprises and improving the economic performance of enterprises. We should find ways and means to strengthen a flexible combination of macroeconomic readjustment and invigoration of enterprises and adopt appropriate policies and measures for supporting and invigorating enterprises. In particular, we should strengthen the vitality of large and medium enterprises.

Trade Fairs Help Western Provinces Open Markets

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[Text] Beijing, October 29 (XINHUA)—A recent trade fair in Sichuan Province shows that people in the western part of the country are replacing their sense of subsistence economy with the sense of commodity economy.

More than 20,000 businessmen from all parts of the country attended the seven-day trade fair held in Mianyang city earlier this month. Commodities worth 4.2 billion yuan changed hands, a volume second only to that at China's biannual export commodities fair held in Guangzhou.

Western China, including Yunnan, Guizhou, Sichuan, Shaanxi, Gansu and Qinghai Provinces, and the Tibet, Ningxia, Inner Mongolia and Xinjiang Uygur Autonomous Regions, covers two-thirds of China's land area and has a quarter of its 1.1 billion population. Though the western part abounds in natural resources such as gold, silver, aluminum, petroleum, natural gas, medicinal herbs, silk, farm produce and animal by-products, the local people had been plagued by poverty for centuries due to historical reasons and their landlocked conditions.

Since 1979 these provinces and regions has registered double and triple industrial and agricultural output value increases. Most of the local people have got rid of the centuries-old nightmare of poverty, while a considerable number of people have got prosperous.

However, there are various barriers to developing a commodity economy in Western China. For instance, a trade delegation from Sichuan went to Xinjiang and intended to purchase some raw materials a few years ago. But the local railway department refused to transport the freight to Sichuan; on the other hand, while Xinjiang people were interested in Sichuan's manufactured goods, they dared not to purchase them because of regional protectionism.

Even the entrepreneurs were no exception. When Mianyang City invited businessmen from Guangdong and

Zhejiang Provinces to attend a trade fair, many local enterprise managers worried the outsiders would beat the local manufacturers in the coming market competition and even asked the mayor to stop the inflow of goods from other places.

In April 1989, leaders from Xinjiang, Inner Mongolia, Qinghai, Yunnan, Gansu and Sichuan held a meeting to discuss how to develop Western China. They made three decisions at the meeting:

- to hold an annual Western China trade fair to open the local market to the whole country and promote fair competition;
- to encourage big and medium-sized state enterprises to attend the trade fair and expand their market share through market competition; and
- to encourage transport departments to facilitate commodity circulation and open more outlets to foreign countries.

The three Western China trade fairs since then have justified these decisions. At the first trade fair, held in Tianshui, in Gansu, 600 million yuan-worth of goods changed hands; the second trade fair, held in Hanzhong in Shaanxi, saw the conclusion of sales of goods worth 1.2 billion yuan; and the trade volume at the third fair, in Mianyang City, Sichuan Province, jumped to 4.2 billion yuan-worth.

Through the three trade fairs, people in Western China have found ready markets in other parts of the country. For instance, wool, aluminum and other goods made with local resources have long been out of stock. Even locally made color TV sets and refrigerators, which had been stockpiled for a period, are selling well.

At the same time, local manufacturers now understand the gap in terms of quality, technology and management between the western part of China and the coastal areas. Many local entrepreneurs have said that they will go ahead and open the local market and develop through competition.

Economists View Shanghai's Industrial 'Slump'

92CE0017A Shanghai JIEFANG RIBAO in Chinese
2 Sep 91 p 5

[Article: "The 'Shanghai Phenomenon' in China's Economic Growth"]

[Text] Why is it that since the 1980's, Shanghai's economic growth rate has been lower than the national average, and industrial economic returns have relatively lagged? Wang Zhan [3769 2069], an associate professor at Fudan University, and others in Shanghai's economic world recently noted the "Shanghai phenomenon," a typical contrast between China's and Shanghai's economic growth in the course of China's economic maturity. They hold that the typical contrast in economic growth between Shanghai and the state is actually one of

economic returns. From 1949 to 1978, Shanghai led the country in terms of industrial economic returns. However, from 1979 to 1990, Shanghai not only yielded its first place in industrial output value, foreign trade exports, and other aggregate figures to other coastal provinces and cities, but furthermore, in recent years all indices of economic returns have fallen. The all-personnel labor productivity of enterprises owned by the whole people in Shanghai dropped from 2.4 times the national average in 1978 to 1.87 times in 1989. Prior to 1978, excluding several particular years, Shanghai's real GNP growth rate was higher than the national average. But in the decade after 1979, the reverse was true. Superficially, it seems that the "Shanghai phenomenon" in the 1980's is characterized by a relative slump in industrial economic returns. However, if viewed in terms of Shanghai's entire recent economic growth process, the phenomenon should be understood as a loss to Shanghai municipality of aggregate urban economic returns.

According to principles of urban economics, aggregate urban economic returns are the basic driving force behind urban development, manifested in the first urban multiplier effect (input into industrial projects spurs on the corresponding development of urban tertiary industries), the second urban multiplier effect (the investment environment created by tertiary urban industries attracts a new round of industrial project inputs), and the interaction between them. Wang Zhan and others contend that in one short century Shanghai developed from a small county town into one of the largest economic centers of China, or even the Far East, precisely because the strength of the first and second multiplier effects and the interaction between them far exceeded that of other cities. The aggregate urban economic return law which motivated Shanghai to evolve from a small county town into a national urban economic center might prompt us to ask, why did Shanghai lead the nation in terms of industrial economic returns from 1949 to 1978, and why did it relatively slide in the decade from 1979 to 1989?

Considered in terms of the role of the law of interaction between the first and second urban multiplier effects, between 1949 and 1978, Shanghai's high industrial economic returns, which provided one-sixth of China's fiscal income and one-tenth of the industrial output value, were won on an area approximately 1/1,500 of the nation's land, by one percent of China's population. Regarding the all-personnel labor productivity of enterprises owned by the whole people in Shanghai, in 1952 Shanghai was 1.3 times the national average. This jumped up to 2.4 times in 1978, first of all because the city profited from the second urban multiplier effect which dates from the 1930's. Shanghai's economic prosperity, created by the most modern urban infrastructure in China in the 1930's, brought great industrial investment benefits to the city's industrial development in the 1950's and 1960's. In those two decades Shanghai accounted for a low portion of national capital construction investment, only 3.6 percent. Except for several

industrial satellite towns, investment was devoted mainly to cramming nearly 2,000 factories in the Jiancheng district of the original city center. The cost of "seven ways and one level" was very low. The majority of street factories and industries owned by the whole people in the Huangpu and other districts, and even workshops used banks, office buildings and civilian buildings remaining from pre-liberation days. The creation of Shanghai's most congested industrial area, the Yangpu, is due fully to utilizing administrative facilities built under the Jiangwan pentagonal capital plan from 1927 to 1935. At the time, no other area of China could compare with the high input-output returns of Shanghai's industry.

Based on this, the directed economy of the highly centralized central government authority brought to Shanghai's industrial development two unplanned for results. One, Shanghai's extremely low industrial production factor costs were characterized by financial inputs in the form of fiscal allocation and low interest loans, fixed assets with extremely low depreciation rates, and more than 80 percent of energy resources and raw material supplies coming from guaranteed low-price plans. Two, Shanghai had extraordinary results from economies of scale. It won uncommon scale returns for those who lacked international competitiveness by using administrative companies and reorganizing industry to merge products and trades. The light and textile industries, which claim the largest share of the domestic market, and the equipment industry, which is the most fully suited to domestic technology, accounted for Shanghai industry's overall superiority in terms of scale competitiveness. This outstanding superiority is seen in the fact that for a time Shanghai's retail commodities accounted for about 40 percent of the national allocation.

Wang Zhan and others believe that Shanghai's uncommon high industrial returns during the past 30 years supported the uncommon share of fiscal revenue which the municipality turned over to the central government (it is estimated that 87 percent of Shanghai's average annual fiscal revenue was turned over). On the contrary, in the past decade, besides finding it difficult to turn over its fiscal revenue, Shanghai's second multiplier effect has been used up. There has been a basic change in the plan guarantee system, and a corresponding reversal in the superiority of Shanghai's high industrial returns. One, sluggish capital construction has brought a reduction in investment returns. The urban capital construction of the 1930's flagged during eight years of the War of Resistance against Japan and three years of civil war. In the first 30 years after liberation, the industrial growth capital was used up. During 35 years of unified state control over income and expenditure, the Central Government only gave Shanghai one percent of the fiscal revenue Shanghai had turned over to the higher authorities for capital construction investment. Two, price shift results have reversed. Shanghai's portion of planned energy resources and raw materials received in the past decade has dropped from 80 percent in 1978 to about 25

percent in 1988. While the price of these materials has jumped enormously, Shanghai's industrial products have suffered price control interference by major producing and selling areas. Thus, Shanghai has lost more than 5 billion yuan in accumulated tax profits to other areas due to price differentials. Three, the results of economies of scale have greatly collapsed. The unique position of Shanghai products in the domestic market faces challenges on all sides. Their share has dropped precipitously in three markets: domestic, Shanghai itself, and exports.

Wang Zhan and others hold that the following common laws of Shanghai's economic development can be discerned from studying the "Shanghai phenomenon" in China's economic maturity. One, Shanghai's economic growth is a case of the secondary and tertiary sectors jointly playing the role of motivating industry in stages, rather than the tertiary sector as perpetual guide to industry or the city's destiny as "China's largest industrial base." Two, in Shanghai over the past three decades, the large portion of fiscal revenue support turned over to the higher authorities from good industrial returns resulted from unusual conditions under particular historical circumstances. Once these particular circumstances are gone, it will be difficult to support this portion. Three, the symmetry between aggregate urban economic returns and fiscal burdens is now asymmetrical. This has been and will be the main bottleneck for Shanghai's economic growth not only in the 1980's but in the 1990's as well.

Analyzing the factors of the "Shanghai phenomenon" and studying the rise and fall and rebuilding of the superiority of Shanghai's aggregate urban economic results are of great significance for assuming overall responsibility for the industrial development of Shanghai in the 1990's. Doing so will attract the attention and ponderings of ever more people in economic circles in Shanghai.

Fujian Editorial on Revamping State Enterprises

92CE0102A Fuzhou FUJIAN RIBAO in Chinese
12 Oct 91 p 1

[Editorial: "Bracing Up, and Vigorous Implementation"]

[Text] The key topic that was discussed at the just ended working conference of the Fujian Provincial CPC Committee was passing along and acting in the spirit of the Central Committee working conference, through vigorous implementation of measures to revamp large- and medium-sized state-owned enterprises. The comrades who attended this conference made a conscientious study of the key speeches by leading Central Committee comrades, such as Jiang Zemin and Li Peng, as well as the reports by leading comrades of the Fujian Provincial CPC Committee, discussed pragmatically and fully the

condition of and problems that exist in Fujian's state-owned enterprises, large and mid-size key ones in particular, reached a consensus of opinion, and drew up measures to enhance confidence. The conference called for seizing the current favorable time, enhancing the sense of responsibility and urgency, vigorous implementation of policy measures, working hard to realize the aims for Fujian's large- and medium-sized state-owned enterprises of "extricating them from their predicament in one year, seeing clear results in three years, and basically revamping them in five years," and for moving steadily forward with Fujian's reform, opening up to the outside world, and economic development. It called on all areas and sectors, as well as the vast numbers of cadres, staff members, and workers, to take quick action and pay close attention to studying and acting in the spirit of the conference.

The consensus of opinion was as follows: Further clarifying the key position and role of large- and medium-sized state-owned enterprises is the first current issue that must be resolved in order to act in and implement the spirit of the Central and Provincial CPC Committee working conferences. As we will be faced in the 1990's with the tasks of developing our economy and combating peaceful evolution, we must focus absolutely unswervingly on economic development at all times. The key to economic development will be to steadily invigorate and improve the economic efficiency of large- and medium-sized state-owned enterprises. Large- and medium-sized state-owned enterprises are the pillars of China's national economy, the major source of state revenue, the most important component of socialist state ownership, the key material foundation for maintaining social stability and economic development, and the principal expression of the superiority of socialism. Although Fujian's large- and medium-sized enterprises make up only 1.8 percent of our industrial enterprises, they account for one-quarter of our GVIO [Gross Value of Industrial Output] above the township level, their realized profits and taxes account for one-half of those of all of our industries, they produce the vast majority of the power, raw materials, technology, equipment, and manufactured goods of importance to the nation's economy and the people's livelihood, and they are the technological and management core of our whole economy. In the course of reform, opening up to the outside world, and economic development, Fujian's large- and medium-sized state-owned enterprises hold a decisive position and play an irreplaceable role. While guiding, encouraging, and supporting as always the healthy growth of the enterprises that make up the other component of our economy, we must focus our efforts on revamping our large- and medium-sized state-owned enterprises, in order to ensure the dominant position and key role of the state-owned economy. This is not only an objective requirement for deepening reform, opening up more to the outside world, and realizing our second strategic objective, but is also a key strategic measure for enhancing China's economic might and consolidating and developing socialism.

These Central and Provincial CPC Committee working conferences summed up the previous experiences and lessons of all areas, further clarified the guiding ideology on revamping large- and medium-sized state-owned enterprises, drew up policy measures in greater detail, specified working methods, and pointed out that the key to resolving current issues is vigorous implementation of all tasks. They pointed out that solid work will develop China, while idle talk will harm it. They indicated that only vigorous implementation can turn Central and Provincial CPC Committee principles and policies into practical actions by the vast numbers of cadres, staff members, and workers, and into concrete personnel, financial and material resources, and can enable large- and medium-sized state-owned enterprises to gradually extricate themselves from their current predicament, grow stronger, and improve their economic efficiency.

Vigorous implementation must begin in the two areas of enhancing management and administration within enterprises and improving the external climate. Enterprises themselves must dare to become adept at taking advantage of preferential policies flexibly, fully, and well. They must deepen their reforms, enhance their management, speed up their technological advances, enhance their group unity, be dedicated heart and soul to the same cause, arouse the initiative of their staff members and workers, and get onto the path of self-development and good circulation. As to external conditions, the most important tasks are to give enterprises more decisionmaking power and change their operating forces. Governments and responsible departments at all levels must resolve to act in accordance with the principles of separating enterprise management from government administration, and properly separating the "two powers," by appropriately devolving to enterprises all of the powers that ought to be devolved to them over matters, such as planning production, setting commodity prices and worker wages, upgrading technology, and setting up organizations. All operational departments must enforce provincial party committee and government resolutions firmly, neither discounting them, or even less so proceeding from departmental interests by refusing to implement provincial party committee and government decisions. As Fujian is a testing ground for comprehensive reform, we must persist in deepening reform, open up more to the outside world, and make efforts in areas, such as adjusting structures, promoting enterprise mergers, developing enterprise groups, and lightening enterprise burdens, in order to steadily improve the external operating conditions for large- and medium-sized state-owned enterprises.

Vigorous implementation means paying attention to overcoming fears of difficulties. We must adhere to the basic standpoint and methodology of materialist dialectics, by analyzing and dealing with situations fully and deeply. While understanding the current problems that exist in and predicaments that are facing large- and medium-sized state-owned enterprises, we must have an even greater understanding of their advantages and

various favorable conditions. As about one-fourth of Fujian's large- and medium-sized state-owned enterprises are operating quite well, their successful experiences are providing us with many valuable lessons. The macroclimate that we have formed for invigorating large- and medium-sized enterprises, and the thorough investigations and studies that leaders at all levels conducted in the previous stage, have enabled us to promote enterprise development while acquiring experience. Practice has proved that as long as we adhere to the mass line and rely on the initiative and creativity of the masses of cadres, we will always be able to resolve issues. We can be full of confidence on this point. All pessimistic and complacent arguments are groundless and undesirable.

Vigorous implementation also means that leaders at all levels must change their styles, improve their work methods, enhance their leadership quality, wholeheartedly help enterprises to reconcile their differences, and work for enterprises realistically and well. Vigorous implementation means paying attention to investigation and oversight, summing up and popularizing experiences promptly, eliminating obstacles to implementation, helping to resolve all sorts of difficulties and problems, and ensuring that all policy measures are implemented realistically and effectively.

Invigorating large- and medium-sized state-owned enterprises will affect many areas and be a very complex kind of systems engineering. This means that everyone from top to bottom must focus on a single goal, keep in step, and rally round the struggle. As long as everyone in the party takes the matter seriously, quietly puts their shoulders to the wheel, and works in a down-to-earth manner, we will certainly be able to revamp our large- and medium-sized state-owned enterprises and invigorate our national economy.

MINERAL RESOURCES

Nonferrous Metals Output Ranks Fourth in World

OW0510040591 Beijing XINHUA in English
0245 GMT 5 Oct 91

[Text] Beijing, October 5 (XINHUA)—China has become the fourth-biggest producer of nonferrous metals in the world by increasing production of ten types of nonferrous metals from 10,000 tons in 1949 to more than 2.3 million tons, according to today's overseas edition of the PEOPLE'S DAILY.

During the 1980s China concentrated efforts on technical upgrading of the industry as the nation adopted the policies of reform and opening to the outside world.

Reforms in the industry include organizing the country's first economic body in charge of production and purchase of nonferrous metals. That gave firms more flexibility in handling funds, technicians and production materials.

From 1983 to 1990 the total funds used in technical upgrading increased by 60 percent, totaling 14.77 billion yuan (about 2.93 billion U.S. dollars). Some 60 percent of the funds came from enterprises themselves.

In these seven years, the China National Nonferrous Metals Industrial Corporation has established trade ties with more than 1,000 firms in over 70 countries and regions, imported over 150 items of advanced technical equipment and signed over 400 contracts on technical imports.

The export volume of the corporation increased 70 percent in the same period.

The industry has also attached great importance to promoting science and technical progress. Nearly 300 major research results were achieved in the seven years, of which 80 percent have been put into production.

Gold Production Expected To Rise 10 Percent

HK1511060091 Beijing CHINA DAILY in English
15 Nov 91 p 2

[Article by staff reporter Zhang Yuan: "Production of Gold To Rise by 10 Percent"]

[Text] Gold production this year is expected to be up 10 percent on 1990, according to an official with the State Gold Administration.

The improvement was attributed to the steady output increase of the gold industry in the first 10 months, up 15 percent on the same period last year.

By the end of last month, 11 provinces and autonomus regions, including the major gold producers of Henan, Heilongjiang and Xinjiang, had all fulfilled the year's gold production quotas.

Output had reached 92.6 percent of the planned total for the entire year, the official added.

Gold is considered a strategic material which is playing an important role in the economy. The steady growth of gold production will help China enhance its position in international economic affairs and consolidate its further opening to the outside world.

Several new large gold mines will be established in the Eighth Five-Year Plan period (1991-95), CHINA DAILY learned from a reliable source.

The latest development was the discovery of a specially large open-pit gold mine in the Cangshang District of Laizhou City, Shandong Province, which has been listed by the State as a key project in the Eighth Five-Year Plan period, said Wang Xuechen, an official with the Laizhou Committee of the Communist Party.

A total of 105 million yuan (\$19.8 million) will be invested by the State in constructing the gold mine in the coming few years, Wang said.

Shandong is the country's largest gold producer.

Wang said the mine, with a proven reserve of more than 30 tons, could last for 11 years with an annual gold ore processing ability of 900 tons. [Figures as published]

Construction started at the end of last month, and officials believe the mine may have a much larger potential than expected.

So far, six large mines had been set up in Laizhou City.

In China, those mines that have a proven gold deposit of 10 tons are called large-sized ones.

Laizhou is now an important gold producing base and will contribute a great deal to the country's gold industry in the coming decade, said Wang.

INDUSTRY

Output of Raw Materials in January-September

HK1510005591 Beijing CEI Database in English
14 Oct 91

[Text] Beijing (CEI)—Following is a list of the output of raw materials in Jan-Sept 1991, released by the State Statistical Bureau:

| Item | Unit | 1-9/91 | 1-9/90 |
|------------------------|-------------|---------|---------|
| Iron ore | 10,000 T | 12964.8 | 12361.7 |
| Pig iron | 10,000 T | 4911.5 | 4542.4 |
| Steel | 10,000 T | 5152.1 | 4863.7 |
| Rolled steel | 10,000 T | 4065.95 | 3767.02 |
| Ferro alloys | 10,000 T | 172.61 | 168.04 |
| Coking coal | 10,000 T | 3975.31 | 3772.05 |
| Ten non-ferrous metals | 10,000 T | 185.70 | 167.72 |
| Copper | 10,000 T | 41.17 | 41.26 |
| Aluminium | 10,000 T | 70.18 | 62.13 |
| Copper products | 10,000 T | 35.51 | 31.37 |
| Aluminium products | 10,000 T | 33.34 | 25.38 |
| Alumina | 10,000 T | 112.27 | 107.80 |
| Sulphuric-iron ore | 10,000 T | 947.38 | 886.80 |
| Phosphorus ore | 10,000 T | 1515.30 | 1524.07 |
| Timber | 10,000 Cu M | 2727 | 2777 |
| Artificial board | 10,000 Cu M | 196.88 | 161.57 |
| Cement | 10,000 T | 17642.6 | 14541.9 |
| Plate glass | 10,000 C | 6315.80 | 5887.55 |

Notes: T—Ton, Cu M—Cubic Meter, C—Case

SMALL-SCALE ENTERPRISES

Rural Enterprises in Minority Area Develop Rapidly

OW2710124591 Beijing XINHUA Domestic Service
in Chinese 2121 GMT 25 Oct 91

[Article by reporter Zhu Dongju (2612 0392 5468)]

[Text] Beijing, 26 Oct (XINHUA)—Along with the expansion to the interior of the tide of reform and openness to the outside world, the once backward rural enterprises in China's minority regions are rapidly developing. They are playing an important role in promoting the economy of agriculture and animal husbandry in regions where minority nationalities reside.

According to the Nationalities Committee, since 1980, the five autonomous regions of Inner Mongolia, Ningxia, Xinjiang, Guangxi, and Tibet and the three provinces of Yunnan, Guizhou, and Qinghai, where minority nationalities live in compact communities, have exploited local resources, actively developed lateral ties, attracted funds, technology, and talented personnel in other places, and developed rural enterprises. There presently are more than 2,171,500 rural enterprises. Their number has increased 10.4 times over the past 10 years, faster than the national average. Their total output value is about 27.391 billion yuan, up 864 percent from 1980. The proportion of their output value in the total product of society in rural and pastoral areas has risen to 22 percent. The industrial structure in rural enterprises has also grown from unitary to pluralistic, forming a comprehensive pattern including agriculture, industry, commerce, building, shipping, and service trade. In addition, a number of backbone enterprises, such as iron alloy enterprises in Qinghai, sugar-making industry in Guangxi, and small hydropower stations in Yunnan and Guizhou, show superior trade and key products in those places.

The rise and development of rural enterprises have changed the unitary economic structure of agriculture and animal husbandry in China's minority regions, increased the actual economic strength, and promoted the development of agriculture and animal husbandry. They have also greatly improved the production and living conditions of the vast number of peasants and herdsmen of minority nationalities.

Development of Hunan's Urban Collective Economy

92CE0064A Changsha HUNAN JINGJI [HUNAN ECONOMY] in Chinese No 8, Aug 91 pp 39-40

[Article by Lei Changhan (7191 2490 3352) et al. of the Office of the Hunan Provincial Government's City and Town Department: "The Current State of Hunan's Urban Collective Economy"]

[Text] Hunan's urban collective economy has undergone rapid development in the last 10 years. In 1989, there were more than 110,000 collective-owned enterprises in the cities and town throughout the province; they employed 2.4 million people. Specifically, 25,900 were industrial enterprises which employed 1.267 million workers and produced 11 billion yuan's worth of goods a year; 68,000 were businesses and service trades which employed 52,000 workers and generated 8.6 billion yuan in sales each year; 2,100 were construction enterprises which employed 300,000 workers and generated 1.12 billion yuan in income a year; 2,000 were transportation and communication enterprises which employed 127,000 workers and earned 940 million yuan in income a year. Today, the urban collective economy's industrial output value accounts for one-sixth of the province's GVIO [Gross Value of Industrial Output]; its volume of business accounts for one-fourth of the province's; its construction business accounts for one-fifth of the provinces, and its communication and transportation business accounts for one-third of the province's. It has become an important part of the province's economy and plays a very pivotal role. The urban collective enterprises are especially important in the following areas:

They are the main employment channels for the unemployed workers in the cities and towns. There are more than 150,000 unemployed workers in Hunan's cities and towns each year. The state only hires 50-60,000 workers and cadres a year, and the cities and towns must develop the collective economy to take care of the remaining 90-100,000 unemployed. In the last 11 years, the province has found work for 2 million unemployed workers, 1.2 million were placed in the newly developed urban collective enterprises.

They are the economic basis of urban construction and management. More than 95 percent of the funds for construction work in the big cities' main streets and back alleys and in the small cities as well as funds for managing the large and small cities and towns are accumulated through the development of the urban collective economy. According to a survey of the province's 621 organic towns, as much as 8.1 billion yuan have been spent on water, electricity, roads, and grounds and other urban infrastructure in the last 10 years—there are 2,484 new roads, measuring 2,043 kilometers.

They are the production bases of small goods which the urban and rural residents need. Today there are more than a dozen urban collective industries in Hunan. They produce plastic goods, leather goods, hardware, machinery, chemical products, electronics, printed matters, agricultural machinery, lighting and fixtures, household electrical appliances, furniture, garment, stationery and sporting equipment, handicrafts and art, miscellaneous everyday goods, foodstuff and so on. They have the capacity to produce more than 5,000 kinds of capital and everyday goods. This effectively fills the gap left by the large industries and meets the needs of many urban and rural residents.

They are one of the production bases which export goods and earn foreign exchange. Data gathered in district and neighborhood industries in 25 cities throughout the province showed that in 1989, more than 20 categories of goods were produced for export and were shipped to dozens of foreign countries and regions. They earned \$50 million in foreign exchange for the year.

They are the driving force behind the development of rural commodity production. Of all the village, group, and joint-household industries in the province, one-third were brought along by the development of urban collective-owned enterprises. For example, the Rongchang Embroidered Goods Factory on Wenyi Road in Changsha City sends out much of its embroidery work to villages throughout Changsha, Wangcheng, and Ningxiang counties. It has set up 40 branches in the rural areas, turning more than 3,000 of the county's surplus rural workers into embroidery workers and creating a new productive force. Liling City's Pukou Town has set up a joint operation between the town-owned fireworks factory and five villages and has helped 21 village groups set up village-group fireworks factories and 5,770 peasant households set up an household industry. These village-group and household industries are producing more than 20 million yuan's worth of goods a year. The town-owned industries in Linli County's 7 organic towns have sent out in succession 118 kinds of goods to be produced in the villages and have set up 125 urban-rural cooperative projects and 74 jointly-owned factories and have helped 17 villages set up 70 village-group industrial enterprises. As a result, the township enterprises' productive capacity has been boosted by more than 20 million yuan a year. Meanwhile, by setting up 31 different agricultural and sideline product processing enterprises that engage in the processing of meat, tea-leaf, food, and pearls and other products, the cities and towns have given impetus to the development of 10 commodity production bases—they produce 300,000 heads of hogs, 4 million chickens and ducks, 100,000 dan of eggs, 100,000 dan of fresh fish, 150,000 mu of oil crops, 10,000 mu of tea plantation, 10,000 mu of tangerine orchard, 10,000 mu of leeks, 10,000 mu of Chinese cabbage, and 1 ton of pearls—and tens of thousands of households to engage in commodity production in the villages throughout the county.

The development of Hunan's urban collective economy is marked by the following characteristics:

1. It started out small but grew rapidly. In the 1950's and 1960's, only the secondary light industrial department, the communications department, and the commerce department were running the urban collective economy. Since the end of the 1970's and especially since the beginning of the 1980's, not only the cities and the relevant departments but all levels and all departments and the state-run enterprises and institutions have been involved. Today, province-wide, there are 1,600 secondary light industrial enterprises run by the secondary light industrial department; they employ 170,000 workers. There are also more than 3,100 district and

neighborhood industrial enterprises run by the district, neighborhood, and residential committees in the cities; they employ 150,000 workers. And there are 5,578 labor and service companies set up by various departments and state-run enterprises and institutions, and they employ more than 190,000 workers.

2. The people started from scratch and built an enterprise through their own arduous effort. Hunan's urban collective economy owes its success to the masses' self-reliance. The people started from scratch, made do with whatever was available, and worked on land and at sea and helped the economy develop and grow in strength. The Kangle Pharmaceutical Factory in Changsha City's north district was started in 1982 by three men who each took 2,000 yuan of their own savings and started production in a room measuring 6 sq meters. It started out producing fruit-flavored solidified soda water and later turned to producing pharmaceuticals. After nine years of arduous struggle and self-accumulation, today, it employs more than 300; its factory measures more than 8,400 sq meters; instead of only 1 product, it is now producing 36 different types of products; it owns 4.27 million yuan in fixed assets and funds; it generates 15 million yuan in industrial output value a year, realizing 2.47 million in profit tax; its overall labor productivity tops 750 million yuan. It has developed from a simple workshop into a fledgling, fairly modern industrial enterprise.

3. The people relied on local resources and traditional technology to develop the economy. Hunan Province has a rich supply of agricultural, sideline, native, and special products as well as minerals. It also has several kinds of traditional technologies in smelting and embroidery and so on. These are assets that give Hunan an edge in developing the urban collective economy. The collective-owned enterprises in Hunan's cities and towns generally got off the ground by taking advantage of these resources and traditional technologies. For example, almost a hundred embroidery enterprises in Changsha City have grown out of the traditional Hunan embroidery industry. In Yongxing County's cities and towns, a group of collective enterprises in the gold-smelting business were developed by improving on historical gold and silver smelting techniques. Today, some of the county's collective enterprises specialize in recovering gold and silver from scrap metals; they produce more than 50,000 grams of gold and more than 10 tons of silver a year. A group of urban collective enterprises in Lengshuijiang City took advantage of the rich local supply of stibium to develop a stibium-mining industry. A group of Liling City's urban collective enterprises took advantage of the rich supply of local porcelain clay and porcelain-making technique to vigorously develop porcelain production. A group of collective enterprises in Liuyang County's many small cities and towns utilized local traditional fireworks production methods to vigorously develop fireworks production. Province-wide, more than 50 percent of the urban collective industrial enterprises owe their development to these factors.

4. The people depended on science and technology and utilized outside forces to develop the urban collective economy. The urban collective industrial enterprises had a weak base and utilized backward technologies. In the wake of reform and opening up and the development of commodity productions, people began to pay attention to scientific and technological progress and learned to make use of outside strength to ensure their own survive and development. Xinhua Chengguangzhen has done an outstanding job in this respect (already detailed in HUNAN JINGJI No 3 of this year.)

FOREIGN TRADE, INVESTMENT

Foreign Trade Statistics for Sep

HK2410110691 Beijing CEI Database in English
24 Oct 91

[Text] Beijing (CEI)—Following is a list showing the total value of China's foreign trade in Sept. of 1991, released by the General Administration of Customs:

| | (Unit: 100 million U.S. dollars) | | |
|---------|----------------------------------|-----------|------------------|
| | Sep. 1991 | Sep. 1990 | Change (percent) |
| Total | 118.15 | 95.25 | +24.0 |
| Export | 62.27 | 51.15 | +21.7 |
| Import | 55.88 | 44.09 | +26.7 |
| Balance | | +6.40 | +7.06 |

Imports From 66 Countries, Regions, Sep 1991

HK0111002591 Beijing CEI Database in English
31 Oct 91

[Text] Beijing (CEI)—Following is a list showing the value of China's import from Asian countries and regions in September 1991, released by the General Administration of Customs:

| | Sep 1991 | Sep 1990 |
|--------------------|-----------------------------|----------|
| | (Unit: 10,000 U.S. dollars) | |
| Country and Region | Import | Import |
| Hong Kong | 157,075 | 124,033 |
| Macao | 1,531 | 1,397 |
| Taiwan | 29,681 | 17,745 |
| Japan | 78,513 | 59,870 |
| ASEAN nations | 26,896 | 19,681 |
| Indonesia | 7,103 | 3,768 |
| Malaysia | 6,078 | 7,077 |
| Philippines | 1,247 | 430 |
| Singapore | 9,803 | 5,438 |
| Thailand | 2,665 | 2,968 |
| Brunei | 0 | 0 |
| Bahrain | 2 | 0 |

| | | |
|----------------------|--------|-------|
| Bangladesh | 5 | 121 |
| Myanmar | 727 | 630 |
| Korea | 815 | 1,045 |
| India | 1,438 | 846 |
| Iran | 906 | 1 |
| Iraq | 0 | 698 |
| Kuwait | 4 | 462 |
| Nepal | 0 | 2 |
| Oman | 3,057 | 748 |
| Pakistan | 1,078 | 66 |
| Qatar | 626 | 59 |
| Saudi Arabia | 1,689 | 607 |
| South Korea | 10,122 | 5,254 |
| Sri Lanka | 0 | 20 |
| Turkey | 595 | 164 |
| United Arab Emirates | 1 | 117 |

Following is a list showing the value of China's import from EEC countries in September 1991 released by the General Administration of Customs:

| | Sep. 1991 | Sep. 1990 |
|--------------------|-----------------------------|-----------|
| | (Unit: 10,000 U.S. dollars) | |
| Country and Region | Import | Import |
| EEC | 66,243 | 61,410 |
| Belgium | 3,301 | 3,650 |
| Denmark | 549 | 522 |
| Britain | 6,634 | 10,084 |
| FGR | 24,825 | 18,096 |
| France | 11,214 | 12,432 |
| Ireland | 70 | 50 |
| Luxembourg | 34 | 574 |
| The Netherlands | 2,507 | 2,814 |
| Greece | 222 | 93 |
| Portugal | 556 | 5 |
| Spain | 3,995 | 3,150 |

Following is a list showing the value of China's imports from part of African, European and American countries and regions in September 1991, released by the General Administration of Customs:

| | Sep 1991 | Sep 1990 |
|--------------------|-----------------------------|----------|
| | (Unit: 10,000 U.S. dollars) | |
| Country and Region | Import | Import |
| Algeria | 0 | 0 |
| Egypt | 0 | 0 |
| Libya | 612 | 0 |
| Zaire | 104 | 54 |

| | Sep 1991 | Sep 1990 |
|--------------------|-----------------------------|----------|
| | (Unit: 10,000 U.S. dollars) | |
| Country and Region | Import | Import |
| Albania | 0 | 0 |
| Bulgaria | 969 | 164 |
| Czech and Slovak | 1,837 | 1,982 |
| Hungary | 33 | 1,110 |
| Poland | 249 | 2,305 |
| Romania | 1,709 | 1,283 |
| Australia | 2,769 | 2,293 |
| Finland | 767 | 1,316 |
| Norway | 2,744 | 1,215 |
| Sweden | 1,584 | 3,126 |
| Switzerland | 4,458 | 3,393 |
| Soviet Union | 11,514 | 20,508 |
| Yugoslavia | 1,357 | 503 |
| Argentina | 3,174 | 840 |
| Brazil | 4,513 | 5,296 |
| Chile | 1,900 | 810 |
| Cuba | 1,009 | 1,168 |
| Mexico | 390 | 868 |
| Peru | 3,861 | 839 |
| Canada | 19,241 | 14,558 |
| U.S. | 88,059 | 54,789 |
| Australia | 13,524 | 13,617 |
| New Zealand | 1,551 | 1,124 |

AGRICULTURE

Bank Advances Jilin Mechanization Model

92CE0080A Beijing ZHONGGUO NONGJIHUA BAO
in Chinese 7 Sep 91 p 1

[Article: "Agriculture Bank in Jilin Supports Agricultural Mechanization to the Utmost of Its Ability"]

[Text] The Agricultural Bank of China issued a notice on 27 July urging agricultural banks everywhere in China to learn from the experience of the Jilin Provincial Branch in supporting the development of agricultural mechanization, and to do further work in providing loans for agricultural machinery.

The Jilin Provincial Branch, beginning in 1988, adjusted its credit loan structure, optimized its investment methods, and with planning and emphasis, supported the development of agricultural mechanization. In three years loans totalling 156 million were allocated. Especially since 1989, it arranged and issued specialized loans emphasizing replacing the "two machines" (large- and medium-sized tractors and motorized rice transplanters) with newer models, and to support upgrading large- and middle-sized farm implements to new generations of

equipment, and to advance new developments in agricultural mechanization in Jilin Province. Their concrete methods were:

- Taking cognizance of the state of agricultural development, and vigorously promoting the great work of agricultural mechanization. The Jilin Provincial Branch knew from experience that developing agricultural mechanization was the principal way to raise yields, solve the conflict in Jilin between the long growing period for crops and short frost-free season, change the present problem of a fragile agricultural base, and assure steady increases in grain production. Therefore, they overcame the reluctance to take risks that was causing loan capital to go unused, and called for special-topic meetings in succession, and drafted concrete recommendations supporting agricultural mechanization. They decided to make agricultural mechanization one of the main methods for long-term loans by agricultural banks, and supported the vigorous development of agricultural mechanization in an aggressive but measured fashion, and in a planned, step-by-step way.
- Arranging specialized loans for upgrading agricultural implements, and accelerating the development of agricultural mechanization. Starting in 1989, they set aside a portion of ordinary agricultural loans as specialized loans to upgrade the "two machines," and support upgrading large- and middle-sized tractors and motorized rice transplanters and their accessories throughout the province. In two years, they have issued loans totalling 35 million yuan to replace 1,300 large tractors, and 242 motorized rice transplanters with new models and to upgrade or newly purchase 4,289 sets of farm implements, thus raising the proportion of complete sets in the province as a whole from 1:1.6 in 1986 to 1:4. Because the "two machines" have been upgraded and provided with accessories, in 1990 the mechanized area expanded by 1 million mu, and accounted for 2.55 million mu of the sown autumn area. This year another 20 million yuan worth of loans have been arranged, and the plan is to replace 1,000 of the "two machines," and purchase 2,775 motorized farm implements.
- Supporting the full range of equipment, and advancing mechanized services. In the last two years, they issued loans worth 65.53 million yuan worth of loans to service depots (teams) at the township and village levels for repair of agricultural implements, fuel supplies, fittings for agricultural implements, etc. By the end of 1990 there were 760 depots providing low-profit compensation services, and restored or newly-established 1,021 village-level mechanical teams. In 1990, they issued 2.6 million yuan in development loans for three agricultural mechanization projects, to support the range of techniques to increase production by mechanization on dry farmland, to increase production by mechanization in paddy fields, and to mechanize the fattening of cattle using ammoniated corn straw.

—Strengthening loan management, and assuring the effectiveness of loans. They insisted on conducting their own investigations and picking the best candidates for support based on economic criteria, according to potential for increased production, and following the principle of assuring timely repayment.

With the strong support of agricultural banks at various levels, Jilin's total output of grain reached 18.5 billion kg in 1990, the highest level in history. The Jilin Provincial Branch and branches in eight counties and cities were awarded the title of "advanced units supporting agricultural mechanization."

Cotton-Purchasing Quota Expected To Be Met

*HK2011023691 Beijing CHINA DAILY in English
20 Nov 91 p 3*

[Article by staff reporter Ma Zhiping: "Harvests Meet Quota for Cotton Purchasing"]

[Text] Despite the damage of recent floods, China expects to meet its State cotton-purchasing quota for the first time in six years, fulfilling 86 percent of the annual purchasing plan, Ministry of Commerce statistics indicate.

"This year's cotton crop has been much better than our estimates made in early August, when most of China's cotton-producing regions were hit by the severe floods, which made it almost impossible to reach this year's target," an official from the ministry's cotton purchasing department said.

But farmers' efforts to replant after the floods and the recent favourable weather laid a solid foundation for this year's cotton harvest which was even better than last year's, the official said.

The ministry statistics showed that this year flood and other natural disasters devastated 666,700 hectares of farmland in Jiangsu, Anhui and southern Henan provinces, all major cotton producers.

The floods and cold weather earlier this year delayed cotton sowing, which in turn delayed the purchasing time by a few weeks. Still, the recent cotton market has proved very satisfactory in terms of the purchasing speed and the farmers' enthusiasm for selling to the State, which could be the best in history, the cotton official said.

As of last week, a number of provinces and regions, including Xinjiang, Gansu, Hunan and Sichuan and Qingdao City, had over-fulfilled their annual purchasing targets.

To guarantee that State cotton purchasing goes smoothly, the Ministry of Commerce, Textile Industry and Agriculture, the State Planning Commission, the State Price Bureau and the State Technical Supervision Bureau recently dispatched teams to the major cotton-producing regions to monitor and inspect purchasing. The official also said quality control was tighter than in previous years.

The monitoring teams have found most State policies well-implemented around cotton purchasing regions, while some units have been checked and dealt with for disrupting cotton purchase orders.

Some cotton purchase stations in Beijing's suburbs have been forced by the municipal government to reorganize and stop illegal purchases, after they were found illegally manipulating cotton prices. These stations affected the cotton market in Beijing, Tianjin and the neighbouring Hebei Province, PEOPLE'S DAILY said yesterday.

The paper said the stations have also been ordered to return all the cotton illegally purchased from outside Beijing.

Two cotton textile factories in Henan were also found to have violated State cotton regulations by setting up unauthorized purchasing centres.

Animal, Plant Quarantine Law

*OW0211000291 Beijing XINHUA Domestic Service
in Chinese 1347 GMT 30 Oct 91*

[Law of the People's Republic of China on the Quarantine of Animals and Plants Brought Into and Taken Out of the Country—Adopted at the 22d Meeting of the Seventh National People's Congress Standing Committee]

[Text] Chapter I. General Principles

Article 1. This law has been formulated to prevent the spread of contagious diseases of animals, parasitic diseases, and dangerous plant diseases, insect pests, weeds, and other harmful organisms (hereinafter referred to as "plant diseases and insect pests") within and outside the country. It has also been formulated to ensure production in agriculture, forestry, animal husbandry, and fishery; to protect human health; and to promote foreign economic relations and trade.

Article 2. Animals, plants, animal and plant products, and other quarantine items brought into and taken out of the country shall be quarantined pursuant to this law. A quarantine shall also be imposed on receptacles and packages containing such products and items and on conveyances from areas afflicted by animal and plant diseases.

Article 3. The State Council shall create an animal and plant quarantine agency (hereinafter referred to as the "State Animal and Plant Quarantine Organization") to exercise centralized management of national quarantine inspections for animals and plants brought into and out of the country. The State Animal and Plant Quarantine Organization shall conduct quarantine inspections in open ports for animals and plants brought into and out

of the country pursuant to this law. Port quarantine agencies in areas where quarantine inspections are concentrated shall also perform similar functions pursuant to this law.

The State Council shall designate quarantine agencies as warranted for animal and plant products exported for commercial purposes.

Agricultural administrative departments under the State Council shall be responsible for national quarantine inspections for animals and plants brought into and taken out of the country.

Article 4. Port animal and plant quarantine agencies may exercise the following functions when conducting quarantine inspections:

1. Boarding ships, vehicles, and airplanes to conduct quarantine inspections pursuant to this law;
2. Entering seaports, airports, traffic stations, post offices, and places where quarantine items are stored, processed, raised, and cultivated to conduct quarantine inspections and to take samples pursuant to relevant provisions;
3. Entering relevant production sites and warehouses as needed to monitor diseases, conduct investigations, and oversee quarantine inspections; and
4. Reviewing, copying, and excerpting logs, waybills, contracts, invoices, and other documents pertaining to quarantine items.

Article 5. The state forbids entry of the following items:

1. Animal and plant pathogens (including bacterial and viral agents), pest insects, and other harmful organisms;
2. Animals, plants, products derived from them, and other quarantine items from countries and regions stricken by animal and plant epidemic diseases;
3. Animal corpses; and
4. Soil.

Port animal and plant quarantine agencies shall return or destroy the above-mentioned prohibited items upon detection.

An advance application must be filed with the State Animal and Plant Quarantine Organization for approval of importation of all the prohibited items mentioned in this article for special scientific research purposes.

The names and classes of items mentioned in the second clause of this article shall be compiled and published by agricultural administrative departments under the State Council.

Article 6. In the event major epidemic animal and plant diseases occur abroad and given the possibility that such diseases may be carried to China, the State Council shall

adopt emergency preventive measures, and when necessary, may issue orders banning the entry of the means of transportation from the territory where such animal and plant epidemic diseases occur into China's territory or closing the ports concerned; local people's governments in the localities subject to the threat of the diseases and relevant port animal and plant quarantine authorities shall adopt immediate emergency measures and at the same time report the matter to the people's government at a higher level and to the state animal and plant quarantine authorities.

Posts and telecommunications and transport departments shall give priority to the delivery of reports on major animal and plant epidemic diseases and of materials shipped to examination departments.

Article 7. State animal and plant quarantine authorities and port animal and plant quarantine authorities shall enforce the quarantine and supervision system with regard to animals and plants entering and leaving China's territory and the production, processing, and storing of animal and plant products.

Article 8. Customs, transport, civil aviation, railway, and posts and telecommunications departments shall work in cooperation with port animal and plant quarantine authorities when they carry out their duty at seaports, airports, railway stations, and post offices.

Article 9. Quarantine personnel in animal and plant quarantine organs must be faithful to their duty and enforce the law impartially.

No unit and individual shall impede the work of quarantine personnel of animal and plant quarantine organs who exercise their public duties according to law.

Chapter II. Entry Quarantine

Article 10. Importers of animals, animal products, plant seeds and seedlings, as well as other materials for propagating purposes, must submit an application in advance and complete the procedures of quarantine examination and approval.

Article 11. When animals and plants, animal and plant products, and other materials requiring quarantining are imported by means of trading, technological cooperation and exchange, or as gifts and aid, the requirement of quarantine as stipulated by Chinese law shall be clearly written in the contracts or agreements; moreover, the contracts or agreements must clearly state that the imports as mentioned above must be accompanied by quarantine certificates from the animal and plant quarantine authorities of the government of the exporting country or region.

Article 12. The owner or his agent shall submit the quarantine certificates of the exporting country or region, trade contracts, and other certificates to the relevant animal and plant quarantine authorities of the port of entry before the entry of the animals and plants,

animal and plant products, and other materials requiring quarantine or at the time of their entry.

Article 13. Upon the arrival of animal-carrying conveyances, port quarantine agencies shall adopt on-site preventive measures to disinfect people boarding or disembarking the conveyances as well as those in close contact with the animals. They shall also disinfect the conveyances and other infected areas.

Article 14. Quarantine inspections shall be conducted at the port of entry, and none of the imported animals, plants, animal and plant products, and quarantine items may be unloaded from the conveyances without the port quarantine agency's approval.

If imported animals and plants must be inspected in isolation, quarantine inspections shall be conducted at isolated areas designated by port quarantine agencies.

If a given port is not suitable for quarantine inspections, the State Animal and Plant Quarantine Organization may decide to transfer animals, plants, animal and plant products, and other quarantine items to designated areas for quarantine inspections. Cargo owners or their agents shall institute disease prevention measures during transportation and loading and unloading operations. Designated storage and processing facilities and isolated farms for breeding or cultivation shall conform to provisions governing quarantine inspections and disease prevention for animals and plants.

Article 15. Imported animals, plants, animal and plant products, and other quarantine items shall be allowed into the country after they have passed quarantine inspections. Customs authorities shall clear them when they are presented with quarantine certificates issued by port quarantine agencies or with customs declaration forms bearing the seal imprints of such agencies.

If quarantine inspections shall be conducted outside of customs areas, customs authorities shall clear imported animals, plants, animal and plant products, and other quarantine items when they are presented with a "notice of transfer for quarantine" issued by port quarantine agencies.

Article 16. For imported animals that fail to pass quarantine inspections, port quarantine agencies shall issue a "quarantine notice" and advise the cargo owners or their agents to adopt any of the following procedures:

1. Animals found to carry first-type contagious and parasitic diseases shall be returned or killed along with other animals from the same group. The corpses of killed animals shall be destroyed.

2. Animals found to carry second-type contagious and parasitic diseases shall be returned or killed. Other animals from the same group shall be placed under observation at isolated or designated places.

For imported animal and plant products and other quarantine items that fail to pass inspections, port quarantine agencies shall issue a "quarantine notice" and advise the cargo owners or their agents to disinfect, return, or destroy the products. Products that pass inspections after disinfection shall be allowed into the country.

Article 17. For imported plants, plant products, and other quarantine items found to carry dangerous diseases, insects, and weeds, port quarantine agencies shall issue a "quarantine notice" and advise the cargo owners or their agents to disinfect, return, or destroy the products. Products that pass inspections after disinfection shall be allowed into the country.

Article 18. Agricultural administrative departments under the State Council shall compile and publish the names and classes of first- and second-type contagious and parasitic diseases of animals mentioned in Items 1 and 2 of Article 16. They shall also compile and publish the names and classes of dangerous diseases, insects, and weeds mentioned in Article 17.

Article 19. Pursuant to the provisions of agricultural administrative departments under the State Council, port quarantine agencies shall advise the cargo owners or their agents to disinfect, return, or destroy imported animals, plants, animal and plant products, and other quarantine items found to carry diseases, insects, and weeds mentioned in Article 18 as well as other plant diseases and insect pests that are extremely harmful to agriculture, forestry, animal husbandry, and fishery. Products that pass inspections after disinfection shall be allowed into the country.

Chapter III. Exit Quarantine

Article 20. Before taking animals, plants, animal and plant products, and other quarantine items out of the country, cargo owners or their agents shall apply for quarantine inspections with port quarantine agencies.

Animals that must be quarantined in isolation prior to departure shall be quarantined at isolated areas designated by port quarantine agencies.

Article 21. Port quarantine agencies shall conduct quarantine inspections on exported animals, plants, animal and plant products, and other quarantine items. They shall allow the latter to leave if they pass inspection outright or after undergoing disinfection. Customs authorities shall grant clearance when they are presented with quarantine certificates issued by port quarantine agencies or with customs declaration forms bearing the seal imprints of such agencies. They shall not allow such animals, plants, and products to leave the country if they fail to pass inspection or cannot be effectively disinfected.

Article 22. Under any of the following circumstances, the cargo owners or their agents shall reapply for quarantine

inspections for animals, plants, animal and plant products, and other quarantine items that have passed quarantine inspections:

1. Where a different importing country or region has been named, and where that country or region has different quarantine requirements;
2. Where the package has been changed or the original unpackaged product has been packaged; and
3. Where the period of validity for quarantine has been exceeded.

Chapter IV. Transit Quarantine

Article 23. The prior consent of China's State Animal and Plant Quarantine Organization must be obtained to transport animals through the country. Such animals shall be transported through designated ports and along specified routes.

Conveyances, receptacles, feed, and bedding used for transit animals must conform to China's provisions governing animal and plant quarantine inspections.

Article 24. When transporting animals, plants, animal and plant products, and other quarantine items through the country, the shippers or shipping escorts shall produce the waybills and quarantine certificates issued by animal and plant quarantine agencies in the exporting countries or regions to the quarantine agencies at the ports of entry. They are exempt from quarantine procedures at the ports of exit.

Article 25. Transit animals shall be allowed to pass through the country if they pass quarantine inspections. An entire group of animals shall be forbidden passage if any or all of them are found to carry contagious and parasitic diseases named and classified in Article 18.

Feed for transit animals found to be infected with diseases and insects shall be disinfected, forbidden passage, or destroyed.

The corpses, excreta, bedding, and other waste products of transit animals must be disposed of pursuant to relevant provisions of animal and plant quarantine agencies. They shall not be discarded without authorization.

Article 26. Port animal and plant quarantine agencies are to inspect the transport means or packaging of transit plants, animal and plant products, or other materials to be quarantined. Those passing quarantine will be allowed to make transit. Those that are found to have plant diseases and insect pests included in the list mentioned in Article 18 are to be treated to eliminate diseases or are not to be allowed to make transit.

Article 27. Without the approval of an animal and plant quarantine agency, packages of animals, plants, animal and plant products, or other materials to be quarantined, must not be opened or removed from transport means during transit periods.

Chapter V. Quarantine of Hand-Carried and Mailed Materials

Article 28. Applications must be submitted beforehand and paperwork for quarantine examination and approval completed before hand-carrying or mailing plant seeds, seedlings, or other materials for reproduction purposes into the country.

Article 29. A list of animals, plants, animal and plant products, and other materials to be quarantined, that are prohibited from being hand-carried or mailed into the country will be compiled and announced by the State Council's agricultural administration department.

Animals, plants, animal and plant products, or other materials to be quarantined that are included in the list mentioned above and that are hand-carried or mailed into the country are to be returned or destroyed.

Article 30. Animals, plants, animal and plant products, or other materials to be quarantined that are not included in the list mentioned in Article 29 and that are hand-carried into the country are to be declared to the customs at the time of entering the country and submitted for quarantine by a port animal and plant quarantine agency.

Animals hand-carried into the country must be accompanied by quarantine certificates and other relevant documents issued by exporting countries or regions.

Article 31. Animals, plants, animal and plant products, or other materials to be quarantined that are not included in the list mentioned in Article 29 and that are mailed to the country are to be quarantined at the international mail exchange bureau by a port animal and plant quarantine agency. If necessary, they may be taken to a port animal and plant quarantine agency for quarantine. They are not allowed to be delivered before they are quarantined.

Article 32. Mailed animals, plants, animal and plant products, or other materials to be quarantined will be released after they pass quarantine or are treated to eliminate diseases. Those that fail to pass quarantine or that cannot be effectively treated to eliminate diseases will be returned or destroyed, and a "note on quarantine and treatment" will be issued.

Article 33. Animals, plants, animal and plant products, or other materials to be quarantined that are to be hand-carried or mailed out of the country will be quarantined by a port animal and plant quarantine agency if requested by the owners of the animals, plants, animal and plant products, or other materials to be quarantined.

Chapter VI. Quarantine of Transport Means

Article 34. Ships, airplanes, and trains from areas affected by animal or plant diseases are to be quarantined by the port animal and plant quarantine agency when they arrive in a port. Animals, plants, animal and plant products, or other materials to be quarantined that

are found to contain plant diseases or insect pests included in the list mentioned in article 18 are to be prohibited from being removed from transport means, to be treated to eliminate diseases, to be sealed, or to be destroyed.

Article 35. Cars entering the country are to be quarantined and disinfected by a port animal and plant quarantine agency.

Article 36. The slops and animal and plant discards on the means of transportation entering and leaving the territory of China shall be disposed of in accordance with the regulations of port animal and plant quarantine authorities and must not be discarded arbitrarily.

Article 37. The means of transportation carrying animals and plants, animal and plant products, and other materials requiring quarantine leaving the territory of China must meet the requirements of the animal and plant quarantine and epidemic control regulations.

Article 38. Discarded vessels entering the territory of China to be dismantled shall be quarantined by port animal and plant quarantine authorities. If plant diseases and insect pests to be listed in accordance with Article 18 of this law are found on the vessels, they shall be handled in the same way as plant diseases and insect pests.

Chapter VII. Legal Liability

Article 39. Fines shall be imposed by port animal and plant quarantine authorities on one of the following acts of violation of the provisions of this law:

1. Failure to report to quarantine authorities or failure to complete the procedures for quarantine examination and approval according to law;
2. Act of arbitrarily unloading from the means of transportation the animals and plants, animal and plant products, or other materials requiring quarantining entering the territory of China, or act of transporting and handing over the above-mentioned items to the receiver without the permission of port animal and plant quarantine authorities;
3. Act of arbitrarily removing or handling the animals and plants being isolated for quarantining at the places designated by a port animal and plant quarantine agency.

Article 40. Where the animals and plants, animal and plant products, or other materials requiring quarantining which have been declared for quarantining fail to accord with facts, fines shall be imposed by port animal and plant quarantine authorities; violators who have already received quarantine certificates shall have their certificates revoked.

Article 41. Fines shall be imposed by animal and plant quarantine authorities on anyone who, in violation of the provisions of this law, arbitrarily opens the packing

boxes or packages of animals and plants, animal and plant products, or other materials requiring quarantining transiting through the territory of China, and who arbitrarily discard the carcasses, excretions, and bedding materials of animals transiting through the territory of China or other animal waste materials.

Article 42. Anyone who causes a major animal and plant epidemic as a result of violation of this law shall be prosecuted in accordance with Article 178 of the Criminal Law.

Article 43. Anyone who forges and alters quarantine certificates, seals, marks, and paper strip seals shall be prosecuted in accordance with Article 167 of the Criminal Law.

Article 44. If the party involved does not agree with the penalty decision of an animal and plant quarantine agency, it may, within 15 days after being notified of the penalty decision, submit an appeal for reconsideration to an animal and plant quarantine agency one grade higher than the agency that made the penalty decision; the party involved may also directly appeal to a people's court within 15 days after being notified of the penalty decision.

Reconsideration organs shall decide within 60 days after receiving the reconsideration appeal. If the party involved does not agree with the reconsideration decision, it may appeal to a people's court within 15 days after being notified of the reconsideration decision. Where reconsideration organs fail to make a decision after the deadline, the party involved may appeal to a people's court within 15 days after the deadline is passed.

In case the party involved fails to appeal for reconsideration after the passing of the deadline, and it does not appeal to a people's court, and also fails to obey the penalty decision, the agency that made the penalty decision may ask a people's court's permission to have the decision forcefully carried out.

Article 45. Quarantine personnel of animal and plant quarantine agencies who abuse their functions and powers, practice favoritism for personal gain, forge quarantine results, or who neglect their duties by causing a delay in issuing quarantine certificates shall be prosecuted according to law if their actions constitute a crime; if their actions do not constitute a crime, they shall be given administrative punishment.

Chapter VIII. Additional Provisions

Article 46. The terms in this law have the following definitions:

- (1) "Animals" mean domesticated or wild live animals such as livestock, poultry, snakes, tortoises, fish, shrimps, crabs, shellfish, silkworm, bees, and so forth.
- (2) "Animal products" mean products originated from animals that have not been processed or that have been

processed but are still capable of spreading epidemic diseases such as rawhides, furs, meat, viscera, animal fat, animal aquatic products, dairy products, eggs, bloods, sperms, embryos, bones, feet, and horns.

(3) "Plants" mean cultivated plants, wild plants, their seeds and seedlings, as well as other materials for propagating purposes.

(4) "Plant products" mean products originated from plants that have not been processed or that have been processed but are still capable of spreading plant diseases such as grains, beans, cotton, oil, hemp, tobacco, seeds, dried fruits, fresh fruits, medicinal herbs, timber, feed, and so forth.

(5) "Other quarantine items" mean animal vaccines, serum, fluids for testing, animal and plant discards, and so forth.

Article 47. Where the provisions of international treaties which China has concluded or to which China is a party are different from those of this law, the former shall apply, except those clauses where China has declared reservation.

Article 48. Port quarantine agencies shall charge fees in accordance with regulations. Measures for charging fees shall be formulated by the agricultural administrative department of the State Council in consultation with the relevant department of the State Council in charge of price.

Article 49. The State Council shall make rules for the implementation of this law.

Article 50. This law shall go into effect on 1 April 1992. "The Regulations of the People's Republic of China on the Quarantine of Animals and Plants" promulgated by the State Council on 4 June 1982 shall be abolished simultaneously.

Appendices:

Relevant articles of the Criminal Law

Article 178. Whoever violates national border health and quarantine regulations, causing the spread of quarantined contagious diseases or causing a serious danger of the spread of quarantined contagious disease, is to be sentenced to not more than three years of fixed-term imprisonment or criminal detention, and may in addition or exclusively be sentenced to a fine.

Article 167. Whoever forges, alters or steals, forcibly seizes or destroys official documents, certificates or seals of state organs, enterprises, institutions, or people's organizations is to be sentenced to not more than three years of fixed-term imprisonment, criminal detention, control or deprivation of political rights; when the circumstances are serious, the sentence is to be not less than three years and not more than 10 years of fixed-term imprisonment.

Fertilizer-Pesticide Coating for Seeds

OW0411042791 Beijing XINHUA in English
0236 GMT 4 Nov 91

[Text] Beijing, November 4 (XINHUA)—Beijing Agricultural University has developed 24 varieties of fertilizer-pesticide seed coating for different crops and climates after 10 years of intensive research.

Scientists of the university reported that 16 varieties of the coating have won state patents. The coating uses one-third to half as much pesticides as in normal spray techniques and can increase harvests by 10-30 percent.

In the first half of 1991, 6.93 million hectares of grain, cotton and oil-bearing crops were planted with the coated seeds, increasing the harvest by 315 million kilograms of grain, 272 million kilograms of oil-bearing crops, and 417,000 kilograms of cotton, according to Chinese agricultural officials.

The Ministries of Chemical Industry and Agriculture, in cooperation with Beijing Agricultural University, have set up five seed-coating mills with a combined annual production capacity of 200 tons in Jiangsu, Shandong and Shanxi Provinces and Tianjin.

The Ministry of Agriculture also planned to further popularize the seed-coating techniques and plant 35.4 million hectares of crops with coated seeds.

Article on Comprehensive Land Management

HK2810055091 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 41, 14 Oct 91 pp 4-6

[Article by Li Shiyi (2621 0013 5030): "China's Land Management Work Unfolded in Full Scale"]

[Text] Ten years ago, planned land development and management was included in the national policy of the Chinese Government, and was officially listed in the work schedules of the local governments at all levels. In the past 10 years, the strategic significance of this work in the modernization process of our country has attracted increasingly more attention among the people.

On 2 April 1981, the CPC Central Secretariat made a decision on planned land development and management all over the country. On 7 October the same year, the State Council approved the establishment of the State Land Management Bureau. After that, all provinces, municipalities, and autonomous regions successively set up their land management institutions and began to study a series of important issues concerning land development and management, such as the survey of land resources, the formulation of land development plans, the planned management of land resources, and the enactment of relevant regulations and rules. Pilot schemes for transforming land in small areas and research on major construction projects were also started in all parts of the country on a large scale. Various

government departments, research institutes, universities, colleges, and more than 1 million people in all walks of life have been involved in this work. Monographs, books, graphs, data in this field have been published in several languages, and the size of contents is unprecedented.

Why was such great energy devoted to these things?

Finding Out Exact Condition of Nation's Land Resources

In the 1980's, the Chinese Government shifted the work focus to economic development and modernization, and put forward the grand objective of quadrupling the 1980 GNP by the year 2000. To achieve the objective, we need a material foundation. The national land resources constitution is the most important part of this material foundation. Then, what is the condition of China's land resources?

The nationwide survey of land resources was thus unfolded. The comprehensive survey included the surveys of water resources, grassland resources, forest resources, virgin land resources, coastal belts, deserts, and lakes. Comprehensive regional surveys were also conducted. For example, resources in the Huangtu Plateau, the Southern Mountains, and the Southwest region were surveyed comprehensively. Land resources data and maps were compiled and drawn up for the whole country and various provinces and regions on the basis of the comprehensive surveys. The state-level and provincial-level land resources information systems were also set up.

The resources surveys showed that in the whole country, although the gross quantity of natural resources is big, but the per capita quantity is relatively modest. The per capita quantity of cultivated land, water, mineral resources, and forest resources is equal to merely 20-50 percent of the world's average. This is a basic national condition of China.

The basic condition of the cultivated land is that although the gross quantity is large, the area of cultivated land has been diminishing year by year, and there is a lack of reserve land. The country's land area ranks third place in the world. The developed and cultivated land accounts for 62 percent of the total land territory; the Gobi Desert, stony hills, and other types of land that can hardly be used account for 38 percent; and the remaining developable land accounts for only 10 percent, with its exact area being less than 100 million hectares. Of such land, only 8 million hectares can be cultivated.

Water resources are regarded as resources with regenerative capacity. However, the condition of water resources brooks no optimism. As the characteristics of the water resources in China, although the gross quantity of water resources in China ranks sixth place in the world, the per capita quantity is equal to merely one-fourth of the world per capita quantity; and there is great unevenness in the distribution of rainfall in terms of

time and space. In the aspect of time, rainfall changes greatly from one year to another and from one season to another; in the aspect of space, rainfall is plentiful in the east and south, but scant in the west and north. Droughts and inundations still occur frequently, and the utilization of water resources is not high, because water resources are insufficient or unavailable in some localities. This shows that in some periods and in some localities, water resources do not have a regenerative capacity. North China is short of water, and this is more prominent in the Huang-Huai-Hai Plain, the Huangtu Plateau, and middle and southern Liaoning. Because of a short supply of water, the excessive tapping of underground water has caused an economic and ecological imbalance in many northern cities.

The mineral, biological, climatic, and maritime resources were also surveyed. On the basis of these surveys, the experts then made the comprehensive assessment of the land resources in our country, and they pointed out that the per capita quantities of many important resources in our country were lower than the world's per capita level; many resources had been developed too intensively and were seriously short of reserve; the distribution of resources was unfavorable, and this added difficulties and costs to the development of the resources; moreover, the shortage of resources will exist over a long time. Therefore, cherishing, protecting, and reasonably using the land resources should be taken as a basic national policy to be carried out for a long time; the practice of seeking economic development through consuming large quantities of resources must be changed; and economic development should be based on economization of resources.

The investigation of the national land resources also helped various localities and departments recognize that their previous practice of recklessly starting construction projects without finding out the conditions of resources was unadvisable. Whether the regional economic development strategies and policies are successful will depend on whether they are formulated on the basis of comprehensively finding out the resources advantages and disadvantages in the relevant localities. According to this idea, many provinces, municipalities, and autonomous regions have attached great importance to the work of surveying the conditions of their land resources and analyzing the degree of resources guarantees for economic construction. This will reduce the haphazardness in the making of economic policy decisions.

Drawing Up Blueprints for Comprehensive Land Development and Transformation

In the mid-1980's, when China was carrying out the Seventh Five-Year Plan, the work of designing "China in the year 2000" was unfolded in all fields. The drafting of the "Outline of National Land Development Program" was also included in the work schedule of the State Council against this background. This was organized by the Comprehensive Land Development Department of the State Planning Commission. Experts, scholars, and

professors in the relevant branches of learning and officials from the relevant industrial departments and local governments were summoned to discuss and comment on the "Outline," which were thus redrafted several times. The final draft was submitted to the State Council in October 1987. It was again revised in the last few years.

The "Outline of National Land Development Program" ("Outline" for short hereafter) presents an inspiring blueprint for comprehensive land development and transformation in the whole country. It divided the whole country into three "major economic belts," namely, the eastern coastal belt, the central belt, and the western belt; it outlined the layout of productive forces in the whole country along the coastline, the Chang Jiang, and the Huang He; and it formed the basic framework for national land development and overall construction along the "second-class axes," namely, the areas along the Gansu-Jiangsu railway, the Gansu-Xinjiang railway, the Beijing-Guangzhou railway, the Zhejiang-Jiangxi and Hunan-Guizhou railways, the Taiyuan-Jiaozuo and Jiaozuo-Zhicheng railways, the Harbin-Dalian railway, and the Nanning-Kunming railway.

According to the abovementioned general arrangements, stage targets, and the national development capacity, the "Outline" selected 19 key areas for comprehensive development in the whole country, and set forth the development orientation and tasks of land development and transformation. The key areas are located in 29 provinces, municipalities, and autonomous regions with a total area of 1.32 million square kilometers and a total population of 350 million people. About three-quarters of them are located along the coastline, the Chang Jiang, and the Huang He. They are: The Beijing-Tianjin-Tangshan area, the Shanghai-Nanjing-Hangzhou area, the central and southern Liaoning area, the Shandong Peninsula, the southern Fujian triangular area, the Zhu Jiang Delta area, Hainan Island, the Hongshui He hydropower and mineral development zone, the Yanzhou-Huainan-Huaibei energy development zone, the Harbin-Changchun area, the energy base area around Shanxi Province, the Chang Jiang middle valley area around Wuhan, the Hunan-Jiangxi-Guangdong frontier area, the Huang He upper valley area around Lanzhou, the area on the two sides of the Wu Jiang, the Panxi-Liupanshui development zone, the Lancang Jiang middle valley hydropower and nonferrous metal base area, and the Urumqi-Karamay area. These areas have good conditions for development and rich resources, so they are of strategic significance for national and regional economic development.

The "Outline" also sets out the development orientation of agriculture, energy and raw material industries, and transportation, and maps the key points and layout of development. At the same time, it also charts the main course of developing and utilizing land, water, main minerals, and maritime resources, and sets forth the

tasks and measures for harnessing major rivers, controlling soil erosion and the expansion of deserts, and checking the environmental pollution caused by waste materials.

The "Outline" does not include Taiwan Province and the Hong Kong and Macao area. It arranges the work up to the year 2000, and the work beyond the year 2000 will be arranged according to the then situation.

The "Outline" is a long-term comprehensive and strategic program, and will play a significant guiding role in dealing with such major economic and social projects as the comprehensive development of resources, the general arrangement of construction, and the overall environmental protection. Its birth indicated that China's modernization construction would step into a new stage.

Afterward, various provinces, municipalities, autonomous regions, and cities being specially listed in state budgets also began to formulate their local comprehensive land development programs. At present, 22 provincial-level localities have completed or will soon complete this work, and others are carrying it out. In addition, more than 200 cities and prefectures and more than 600 counties have also formulated their low land development programs.

Protecting Major Resources, Strengthened Planned Management

China is now pursuing a socialist planned commodity economy. Interfering in economic life through the state plans is a major characteristic of China's economy. However, it is still a new task to include the management of natural resources in the state plans and to bring it under the government's control. Beginning in 1987, the state exercises planned management over the nonagricultural use of the cultivated land; beginning in 1988, cultivated land being shifted to construction sites is included in the state plan from national economic and social development; in 1989, a new plan for land development and utilization was adopted. The state has thus used the planning mechanism and laid down mandatory plans to protect the resources of cultivated land and to prevent the cultivated land from being "nibbled away."

Following the planned management of land, some provinces and cities also imposed planned management over water resources. Beijing, Liaoning, Shanxi, Hebei, Shenyang, Anshan, Harbin, Qingdao, and Zibo began to include the supply of water in their local economic and social development plans on the trial basis, because the shortage of water had seriously affected economic development and the people's daily lives. The use of water has been brought under the planned control, and the use of water beyond quotas will be checked or penalized.

Last year, some departments concerned in China also began to explore the way to include environmental protection and geological disaster prevention in planned management. Initial results have been achieved in this regard in some provinces and cities.

In order to protect the national land resources, China has also promulgated some national or regional laws and regulations. They include the national laws and regulations for the management of water resources, mineral resources, maritime resources, forests, and grasslands and for environmental protection, and such regional regulations as the "Sichuan Province's Rules for Managing and Protecting Water Sources of the Chang Jiang," the "Rules for Comprehensive Development and Protection of Beach Resources in the Zhu Jiang estuary," and the "Rules on Protecting Resources in Daxinganling and Xiaoxinganling Mountains."

In addition, the sample projects for transforming and developing land resources in smaller areas have also been carried out in the fields of the comprehensive development and transformation of land in mountainous areas, the transformation of small river valleys, the development of grasslands, the transformation of waste sandy land, and the comprehensive development of beach resources. The aim is to explore the best model of combining the utilization of resources with the protection of resources and to provide useful experience for the projects of transforming land and developing resources in larger areas.

Seeking "Sustained Development"

Since the 1970's, the world's interest has no longer been focused on high economic growth rates or high consumption. Instead, people have become more interested in coordinating the relationship between humanity and nature and coordinating the relationship between economic and social development and environmental and natural resources protection. That is to say, mankind is now no longer so eager to seek immediate benefit by exhausting resources. This is regarded as selfish practice of seeking benefit for the contemporary people at the expense of the interests of the future generations. Now, people need to coordinate the immediate and long-term needs and the interests of the current and future generations by building a new model of economic and social development that will not damage the environment. This is an idea of seeking sustained development and keeping happiness for humanity. The previous models that caused violent ups and downs in economic development and brought about both happiness and disasters are no longer welcomed by the people. In the new world trend, China has also taken major steps in the aspect of managing its land resources. All that has been done serves one purpose, that is, to ensure China's sustained economic and social development and the unceasing use of natural resources.

Chengdu Military Region Leadership Conflicts

92P30024A Hong Kong KAIFANG [OPEN
MAGAZINE] in Chinese No 57, 15 Sep 91 pp 11-12

[Article by Mu Cun (2606 2625): "Chengdu Military Region Air Disaster"]

[Text] Ever since Yang Baibing assumed the position of secretary of the Central Military Commission [CMC], the eyes of the whole world have been fixed on him. Nominally, the CMC chairman, first vice chairman, and chief of general staff are above Yang; but in fact, Communist Chinese military power is actually held by the two cousins Yang Shangkun and Yang Baibing. Strictly speaking, Deng Xiaoping is also above the Yang cousins, whose greatest problem lies in getting through Deng.

Yang Baibing's Old Lair

Not many know of Yang Baibing's past before he became Beijing Military Region [MR] political commissar in 1982, or where he came from. A source familiar with Chinese internal military affairs has disclosed that Yang Baibing's original home is the Chengdu MR. Before being transferred to Beijing, Yang was a deputy director in the Chengdu MR political department. During the Cultural Revolution he became a target of criticism over Yang Shangkun's involvement in the "Peng-Luo-Lu-Yang" clique. When Yang Shangkun was later reinstated, he transferred his cousin to an important post in Beijing. In the Sichuan military, Yang Baibing had already garnered a group of trusted followers, and after ascending to a higher post, he still maintains excellent relations with his buddies in the Sichuan military.

Sichuan troops have always been troops not to be ignored. Sichuanese constitute a majority of and are the most intrepid among the troops of the inner provinces. After Beijing, on 4 June Chengdu had the most incidents of violence; the Yang brothers are Sichuanese, and they place great emphasis on controlling the large military region of Chengdu.

Fu Quanyou Is Unhappy With Yang Rudai

According to high-level sources in the Chengdu MR, the May 1990 MR reshuffling affected three men; one of these men, former commander Fu Quanyou, was transferred to command the Lanzhou MR. Fu Quanyou has strong military status and battle experience. He participated in the command of the Sino-Vietnamese War. It is reported that during the civilian movement in 1989, he went to Yunnan to check out the Sino-Vietnamese border. After the 4 June crackdown, only 51 students remained assembled in the Chengdu People's Square, offering only nominal resistance. However, party secretary Yang Rudai, after seeing that Zhao Ziyang had fallen from grace, ordered that the armed police move in on the students, thus making a clear demarcation between himself and Zhao. This incited public indignation. A large group of students returned to the square, resulting in a bloody clash that left eight dead. The crowd

burned the People's Market and the police station at the square, and although the police had not yet intervened, the crowd also burned 17 military vehicles.

Upon hearing this news, Fu Quanyou returned to Chengdu. Greatly dissatisfied with Yang Rudai, Fu accused him face to face of failing to communicate and ordering the unauthorized armed police crackdown, thus causing chaos that could have been avoided. But Yang Rudai was already in step with Li Peng's government and was then the sole Politburo member among provincial party secretaries; Fu Quanyou naturally had no recourse.

Yang Baibing transferred Fu to Lanzhou—not a very good job. Although the Sino-Soviet border has stabilized, other areas belonging to the Lanzhou MR—Gansu, Qinghai, Ningxia, and Xinjiang—are regions of constant minority disputes. In the Uighur and Tibetan regions there has been word of exchange of light arms fire.

Wan Haifeng Gets Out While the Getting Is Good

Another affected military leader was 71 year-old former political commissar Wan Haifeng. Wan received the rank of senior colonel in 1955 and is an old Red Army man. Two years ago he perpetrated a scandalous affair employing military aircraft in the sale of Yunnan cigarettes; he should have been retired. However, in 1988, Yang Shangkun went to Sichuan, and to win over his subordinates, he broke through the ranks and awarded Wan with the promotion of general, saying, "The head of a major military region receiving the rank of general should not be considered overdoing it."

After 4 June, to exert further control over Beijing's military power, the Yang generals broke from precedence and elevated 27th Army Political Department Director Major General Zhang Gong, who made great achievements in cracking down on the student movement, to the position of Beijing MR Lieutenant General Political Commissar. At the same time, they announced the transfer of Wan Haifeng as deputy commissar. However, Wan refused, with thanks, saying when one gets old one is not up to heavy tasks. Wan obstinately demanded to retire. Actually, Wan Haifeng was not willing to hold a position ranking one-star general as assistant to a position ranking two-star general. Wan also harbored misgivings about Beijing after the Tiananmen massacre; disputes would be many and the risk would be too great. It would be better to peacefully sit in a three-star general's position of leisure—retirement would be perfect.

Zhang Taiheng Unexpectedly Becomes an Official

After the two major leaders of the Chengdu MR—Fu Quanyou and Wan Haifeng—departed, Zhang Taiheng became the new commander. Zhang is a Lieutenant General and is only 60 years of age. His present age is a robust one, but Zhang's health is faulty and his skills are not strong; therefore, his authority is not high, and among the higher levels of the MR he is the most

sluggish, without anything to do all day long. The day after 4 June, he was suddenly called to Beijing. Someone noticed that before going, Zhang's countenance was very gloomy and he was reticent; Zhang thought that the Military Commission was summoning him to sort out his pre-retirement work. Unexpectedly, soon after Zhang returned to Chengdu, high-level officers discovered that his mood had taken a turn for the better, and his spirit was billowing. Everyone in the military district was mystified. At the end of April 1990, Yang Baibing went to Sichuan from Tibet. At a MR division-level cadre meeting he announced Zhang Taiheng's appointment to MR commander; only then did everyone understand what had been going on. Yang Baibing secretly orchestrated the reshuffling of personnel in the seven military regions. Yang flew to each of the military regions to announce the change at high-level cadre conferences. At the same time, 60-year old Major General Gu Shanqing was transferred to the Chengdu MR from the Guangzhou MR to take up the position of political commissar, and to exercise control over Zhang Taiheng.

Thirteen High-Level Officials Die in Helicopter Crash
After Zhang Taiheng took over, everywhere he went he attempted to render service to the Yang family generals to repay their patronage. On 1 July this year, the eve of the Communist Chinese 70th anniversary, Zhang wanted to examine the Tibet troops (under the jurisdiction of the Chengdu MR) as a presentation for the party anniversary. He had to report such actions to the CMC for approval. The CMC did approve, but asked that airplanes not be involved because of the complicated circumstances in Tibet. However, to make a show of his military authority, Zhang Taiheng still took three U.S. Black Hawk helicopters to Tibet.

On 16 June, Zhang Taiheng and his entourage boarded three helicopters and flew from Xigaze to Lhasa. Zhang Taiheng rode in the first helicopter and Deputy Commander Lieutenant General Zhang Defu rode in the second Black Hawk. Unfortunately, after 46 seconds in the air, the second helicopter fell to the ground, killing Zhang and the 12 others on board. Seeing the situation, the third helicopter did not dare take off.

Besides Zhang Defu, among the dead there were five second-level department chiefs, the chief of staff of the Tibet Military District [MD], a certain air force airbase chief, a military doctor, and a special pilot lieutenant colonel.

Family Members of the Dead Are Furious

After the incident occurred, news was censored as usual; only a single news clip stating, "Comrade Zhang Defu, while investigating the troops, unfortunately was killed after the military helicopter he was riding in crashed..." No mention was made of the other 12 on board, as if they had not been killed. Family members of the deceased were furious. After the 13 bodies were transported back to Chengdu, a mourning ceremony was held on 27 June. However, the ceremony was short and was held at siesta time, as if to prevent by all means increasing the impact of the incident.

At this point the military region headquarters was as chaotic as a bowl of gruel; external security was very strict, with loiterers prohibited. Reception stopped doing business, instead taking care of the 300 to 400 relatives, friends, and officials who had come to pay their last respects.

Yang Baibing's Wife Becomes a Colonel

Even before the funeral was over, a succession struggle surreptitiously ensued. The 13 dead had vacated 13 high-level positions which needed to be filled, and those who moved up to take these positions in turn emptied their positions for their subordinates to fill; from one level down to another level a succession power struggle was engaged—one can just guess at the degree of excitement. The myriad widows and daughters and sons of the 13 deceased were left no small trouble dealing with the aftermath of the deaths. Reportedly, in July, Zhang Taiheng again parted for Beijing in a somber mood; and this time he probably didn't have such good luck. He would have first visited Madame Yang Baibing to feel out the situation. Madame Yang was originally a cadre at the Chengdu People's Bank; following her husband's ride to the top, she also went to Beijing and got involved in the military; she is now already a colonel-level official.

NORTH REGION

Shanxi Party Secretary on County-Level Reform

92P30035 Beijing ZHONGGUO JINGJI TIZHI
GAIGE [CHINA'S ECONOMIC STRUCTURE
REFORM] in Chinese No 10, 23 Oct 91 pp 42-43

[Article by Wang Maolin, secretary of the Shanxi provincial party committee: "A New Path of Reform of the Country-Level Structure in Impoverished Mountain Districts"]

[Text] Editor's note: We present here an investigation report by comrade Wang Maolin, Shanxi provincial party committee secretary, on the establishment of a developmental production service structure by the agricultural departments in Xi County. This county combined reform of the county-level structure with vitalization of the impoverished mountain district's commodity economy. The results are quite obvious. In three short years they have left poverty behind; gross agricultural product, income from grain, county government financial income and average personal income have each doubled. The work and experiences of this county should be examined by all mountain area counties.

An Investigation of the Establishment of the Developmental Production Service Structure by the Agricultural Departments of Xi County

Xi County is one of the impoverished counties of Shanxi Province. It is also the county which the provincial committee and provincial government in 1988 designated as a "comprehensive reform test county for leaving poverty and achieving wealth."

The Primary Means of Reforming County-Level Structures in Xi County

Xi County is located amid the steep valleys and gullies of the yellow loess plateau in western Shanxi's southern Luliang Mountains. Total population is 86,000 people. Prior to the Third Plenum of the 11th CPC Central Committee, average peasant income was less than 100 yuan. Even up to the time it was designated a trial county in 1987, the county's financial revenues were only 2.6 million yuan, and over 30 percent of the rural population still had an income of less than 200 yuan. However, the county finances had to subsidize some 3,242 personnel (including 1,734 party and government cadre, 210 special retirement and ordinary retirement cadres, and 1,298 teachers and doctors), requiring an annual outlay for personnel of 8.1 million yuan.

Confronting the grim situation of poverty among the county's peasant population and financial outlays exceeding income, the Xi County reform pilot projects started with the development of the commodity economy in the impoverished areas. They reformed the current management structure to coincide with the requirements of escaping poverty and achieving wealth, depending upon the current governmental departments

to establish 10 development service centers specializing in agricultural technology, forestry, animal husbandry, tobacco, fruit-growing, rabbit raising, edible fungi, agricultural-machinery, science and technology (S&T), and farmland construction. The establishment of these 10 centers gave prominence to the following capabilities and special characteristics. First, they concentrated on the development of the five dominant industries of grain, fruits, oils, livestock and tobacco and set up a county-level economic service system and made it the motive force in developing the industries and the bridge and link by which the peasants in the mountains could enter the markets. The six farming, forestry, livestock, agricultural-machinery, farmland construction, and S&T centers were organized out of the county's former agricultural bureau, forestry bureau, animal husbandry bureau, agricultural-machinery bureau, water conservancy bureau and the science commission; the four fruit, tobacco, edible fungi, and rabbit raising centers were newly established using administrative cadre allocated from other departments involved in rural affairs. The structural organization of the 10 centers embodied the principle of specialized production, was characterized by a clearly defined division of industrial labor, and covered the entire spectrum of services to all of agriculture in the entire county. Secondly, service is the entire purpose of each center, and each development service station was given the functions of "management, service, and operation." Concentrating on one industry or trade, one service center would incorporate into one unified management, service, and operational system the bearing of responsibility for the borrowing and repaying of funds, for the provision and dissemination of information, for the popularization and guidance of new technology, and for the processing, warehousing, and sale of products. The main component of management was service, and management was to be accomplished well during service. Through management, service and operation, the center was to create a commonality of interests with the peasants. Third, each service center was to establish a stable, self-managed profit-generation base and strengthen its capacities for self-development and for serving the people. Fourth, it was to link its structure to the target forms for the reformed county-level structure, so that while the management systems of the specialized economic departments of the center, the province and the prefectures had not yet changed much, the county-level structural reforms could go ahead. The concrete methods employed in Xi County were: The then current administrative structure of the departments involved in rural affairs did not change; the "centers" and their corresponding departments or commissions created "one group of people, each wearing two hats," in order to ameliorate the frictions which occur between vertical divisions and horizontal connections [tiaotiao kuaikuai] during system reform, thus gaining the vertical divisions' support of the county-level reforms. The relationship between the "centers" and the county finance departments was a two-line management link of administrative operating expenses and self-operated income, with gradual cutting of connections with the county

financial offices and the realization of self-sought balance. The party and government cadres working in the "centers" retained their former benefits; wages and awards could be increased according to operating conditions.

Reforms Bring Tremendous Changes to Xi County

The three years that the pilot projects were in existence prove that the reforms in Xi County were a success, and the future is bright.

—Economic development during the three years was much faster than previously and greater than any other impoverished county in Shanxi. In 1990 the county's gross agricultural output reached 32.84 million yuan, an increase of 1.08 fold over 1987; total grain output reached 54.83 million kilograms, 1.65 fold over 1987. The county revenues were 6.09 million yuan, 1.34 fold that of 1987. This sort of speed is unique in Xi County history. But of greater importance is that because of the reforms, the staying power of Xi County's economy has greatly increased. In three short years the 10 development service stations have caused Xi County to form five large relatively concentrated primary industries in grain, fruits, oils, livestock and tobacco.

—When the service centers give full play to their capabilities in serving the mountain area peasants, the results are quite effective. For instance, the fruit orchard development service center took the lead in taking responsibility for making loans, designing plans and programs, training in technology, on-site guidance, and model management activities for the entire county's fruit industry and caused the county to have a tremendous increase in fruit orchards. In 1987 the entire county possessed 43,000 mou of fruit orchards containing some 400,000 trees. By 1990 these had increased to 100,000 mou of orchards and 3.7 million trees, with a household average of 5.2 mou and the average person owning 52 trees; fruit production was 10 million kgs, 3.1 fold over 1978. [year as published]

—In the course of establishing their services to the peasants living in the mountains, the service centers greatly increased their capacity for self-operation and self-development. The reason that the development service centers were able to keep their fees for service to the peasants low and not compete for advantages with them was because of the role played by the self-managed profit-generation bases. Up to the present, the 10 centers have established 15 self-managed profit-generation bases. Of these, the 6,300 mou of orchards, tobacco fields, and plant nurseries and the 35,000 mou of pasture land have accumulated 1.884 million yuan in income in three years. Of the 10 development centers, four have already begun to turn in tax revenue to the county and have had other income amounting to 196,000 yuan.

—The experiment has opened up new paths for county-level organs trying to reform impoverished mountain areas. At present, Xi County has a total of 720 personnel working in the various development service centers. Of these, there are 218 party and government organ cadres, and already almost 100 cadre have cut their links with the county financial administration. If the development continues in this manner, in three to five years, some 400 to 500 cadres will cut themselves off from the county administration. What is even more helpful, having Xi County establish these 10 development service centers has caused the party and government cadres to change their attitudes. In the past, the party and government cadres avoided the county forestry organs like the plague, but now they fight to get into them. In the past, the county finance departments had to worry annually about the operating expenses of the departments involved in rural affairs and the wages of the cadres. Now the service centers remit tax revenues and other income to the financial departments. In the past, the peasants had very little contact with the departments involved in rural affairs; now that management, service, and operations have all become the common interest, "we are part of them, and they are part of us" and neither can get along without the other.

The reform of the Xi County departments involved in rural affairs has had obvious accomplishments. However, we have taken only the first step in comprehensive county-level reform. Considering the establishment of a comparatively complete county level economic management system which coincides with the characteristics of an impoverished mountain district, Xi County's reform of the core work of the pilot projects will have to be broadened and deepened in three aspects. The first is that all of the county-level specialized economic management departments must concentrate on enlivening the impoverished mountain areas' commodity economy, combine all management, service, and operational functions into one body, establish developmental type production, set up developmental service organs, and gradually cut all ties with the county finance and tax departments. Secondly, the other noneconomic departments and the comprehensive function type departments of the county party committee and the county government will be allowed to start up developmental production operations but will not be allowed to run them. Thirdly, the institutions and units subordinate to the county should also actively engage in developmental production. While all of this is going on, Shanxi province will actively and circumspectly promote Xi County's methods and experiences in all the impoverished counties in the province.

System Reform Successes Reported in Shanxi

Huozhou City System

92CM0024A Taiyuan SHANXI RIBAO in Chinese
10 Sep 91 pp 1, 2

[Article by Reporter Wang Rong (3769 2837), Correspondents Tian Wei (3944 0251) and Li Shan (4539

1472): "Peasants Contract for Farming, Cadres Contract for Services—Survey of Huozhou City's Two-Way Agricultural Contract Responsibility System"]

[Text] These days farming is not a very difficult matter for the peasants of Huozhou City. Before planting someone supplies the chemical fertilizer, the mulching plastic, and the high-grade seed; during field work, someone plows, sows, and harvests by machine; and afterward someone supplies information and markets the products. What the individual peasant family household cannot do or cannot do well is done at the village level. What cannot be done at the village level is done by the township; what the township cannot do is done by the county. This is the new atmosphere since Huozhou City has instituted the two-way agricultural responsibility system.

Since 1987, beginning with the improvement of the family contract system of responsibility linked to production, Huozhou City has implemented the two-way agricultural contract responsibility system on a county-wide basis and has begun to form a new rural socialized service structure and to pursue a new course of perfecting two-level management and promoting the development of the agricultural economy.

The Key Is In Arousing the Enthusiasm of the Agricultural Departments Involved

The two-way contract began in an out-of-sight little mountain village.

In the fall of 1986, the peasants in Yangzao village situated at the foot of Mount Huo were rejoicing as they welcomed yet another bumper year since rural reform. With a bumper harvest they had to deliver the grain, and the villagers said, "The village signed an unfair agreement with us. It only requires that we deliver the grain. It does not require that the cadres provide services. If the peasants do not do their duty, they are fined. If the cadres do not provide services, they are authorized a subsidy."

The peasants' "rebukes" woke up the village cadres. The next spring, when the peasants signed the land contract agreements, the village cadres also signed service contract agreements. The two-way contract is between the municipality, the township, the village, and the household, concentrating on clearly defining targeted tasks at every link and every level of agricultural production. From the top to the bottom the contract is for the supply of agricultural production materials and technical and financial services. From the bottom to the top, the contract is for the area to be planted, the yield, the purchase orders for every crop, and for fulfilling other economic quotas. Rights and responsibilities between levels are stipulated in the form of agreements and rewards, and punishments are laid down to ensure that the agreement is honored.

Take this year's situation for example. At the beginning of the year, Huozhou City decided to increase this year's

grain production to 65 million kilograms from last year's 60 million kilograms. In the municipality this quota was broken down by level to be fulfilled by the townships, the villages, and the households. The township contracted with the city, the village contracted with the township, and the households contracted with the village for yield and for state purchase quotas, as well as for what they retained for their own use and for technology and investment. The township, the village, and the household, based on their assigned quotas and in accordance with actual production needs, determined how much chemical fertilizer, high-grade seed, pesticides, mulching plastic, mechanical plows, and irrigation water they needed. The city, after collating, distributed them by item to the functional departments and units concerned with production materials, seed, agricultural machinery, and irrigation works. At each level the village would contract to the household, the township would contract to the village, and the city would contract to the township for service items. At the end of the year, according to the way that the agreement is honored, those who complete their tasks will be rewarded and those who do not complete their tasks will be punished.

The most valuable part of Huozhou City's two-way contracts is that it increased cadre service contracts. So, the keys to the two-way contracts are, after all, accomplishment by the cadres of the services that they contract for and how they fulfill the service contracts. The leaders in the municipal party committee and the municipal government feel that it is unacceptable to depend solely on the village cadres to accomplish the services. There is absolutely no way to depend on the authority and the capability of village cadres to ensure the supply of a great many production materials. Such services as rural electrical supply and supply of fuel for farm machinery are even less within their power. There is no way that they can provide technical services to the peasants. From this it can be seen that not only the village cadres, but also the township and county cadres must contract. Not only must the individual cadres contract, but the departments and units must also contract. So, how can all of the cadres at all levels and all of the agricultural departments concerned be motivated?

I. Enlist the county-level units and cadres concerned with agriculture in the two-way contract system. The way to do this is to establish a guidance committee for two-way contracts and do a good job of organization and coordination. Its job is to arouse the enthusiasm of all the functional departments through coordination and guidance and do a good job of solving problems of a policy and inclinational nature. The committee sets up a science and technology service group, a goods and materials supply group, a financial coordination group, and an examination and critique group. The leaders of each unit and departments at the beginning of the year sign a service agreement with the committee. At the end of the year, they are rewarded or punished for the way that they fulfill the agreement. This way, all the departments concerned are brought into the two-way contract system.

II. Establish restraint and encouragement mechanisms to increase the enthusiasm and motivation of the departments and cadres at every level to serve the peasants.

1. Link village cadres allowances with services, mainly in two forms. One form is to link all allowances with services, with no ceiling or floor. The second is to determine basic allowances according to the content of the services. If they complete the task, they receive the basic allowance and if they overfulfill the task, they are rewarded. The village cadres' remuneration is determined by the masses at the end of the year and posted publicly, a one time redemption. According to last year's statistics for the 154 villages that implemented two-way contracts, a total of 770 cadres contracted for services. Of those 354, 46 percent of the total cadres, overfulfilled their assignments and increased their allowance or received a bonus. There were 364, 47.2 percent, who fulfilled their assignments and received the basic allowance. Another 52 did not fulfill their assignments and their allowances were reduced.

2. Link county and township cadres wages, bonuses, and appointments to services. Cadres sign a service contract at the beginning of the year. For ordinary cadres it is only linked to bonuses. For principal unit leaders it also is linked with wages. At the end of the year it is evaluated and redeemed. Those who exceed are rewarded and those who fall short are punished. Technical personnel's services also are linked to their professional appointment. If they accomplish the services, they will continue to be employed. If not, they will be separated. The municipality prints a unified evaluation sheet on the services of cadres and functional departments at every level and periodically and aperiodically arranges for mass evaluations and publicizes the results. Those who are evaluated as most deficient will be publicly censured by the people of the entire city and have their annual bonuses taken away. In addition, the results of the service check are placed in the cadre files by the municipal committee's organizational department and the personnel bureau as an important basis for later appointment of the cadres. In recent years, cadres at all levels in that city have signed a total of over 10,000 service agreements of various types and they have been honored at the rate of over 90 percent. Seventy-four cadres have been punished, rectified, and demoted for not fulfilling their assignments.

"Hard Services" and "Soft Services"

In villages where the the collective economy is rather strong, the two-way contracts suddenly strengthened the collective unified service function. The village cadres provide serialized services and services at the key stages before, during, and after agricultural production for low pay or no pay. Since 1986, the new village of Xingzhizhen, with only a little more than 300 people, has successively set up six village-operated enterprises with an annual output value reaching more than 1.3 million yuan and realized a profit of 450,000 yuan. Each year they take one-third of the money from enterprise profits

to use in various agricultural production services. Whatever production materials are needed such as chemical fertilizer, pesticides, high-grade seeds, and diesel fuel, all come from collective unified purchases. At the production stage, all of the peasants' irrigation water, mechanized plows, mechanized seeders, and mechanized reapers are arranged for by the village in a unified manner and provided free of charge. The local cadres and people call this service "hard service."

Villages as rich as they are, after all, are in the minority. The collective economy of most villages is comparatively weak. In the entire municipality more than 30 percent are only "empty shell villages." How do cadres contract for services in these villages? Their procedure is to fully utilize the management, organizational, and coordination functions of the village's grass-roots organizations to provide the peasants with "soft services" at little cost or even no cost.

The economy of Yanjiazhuang is weak. They wanted to practice mechanized farming, but they were unable to purchase the farm implements. So, with the backing of the township agricultural machinery station, they organized the more than 100 tractors and farm implements owned by collectives and individual farming households throughout the township, and they set up some individual farm implement work teams and centralized the supply of petroleum products, the quality of the work, and the payment standards. Each summer and fall they initiate a deep-cut mechanized plowing service. In recent years, not one tractor has been purchased in the township, but each year the area plowed by machine has exceeded 17,000 *mu*, 80 percent of the wheat field area of the entire township. And for five years in a row they have been named number one in the entire municipality.

In the past, Yiwang Village was very poor. The peasants intended to get rich planting fruit trees, and they had the disadvantage of not understanding technology. Alternate Branch Secretary Rong Hua [2837 5478], who has a keen understanding of fruit tree technology, provided the peasants with a technical service free of charge and set up a special fruit tree school. In three years, more than half the peasants in the village had mastered fruit tree planting, cultivation, and management technology. This year, for example, every household in this village has planted fruit trees, and orchard area in the entire village has increased from 100 *mu* last year to 800 *mu*. The annual apple yield is over 100,000 kilograms and annual per capita income has increased more than 200 yuan.

Multiple Effect of Two-Way Contracts

Practice has shown that two-way contracts fully combine the advantages of the enthusiasm of family dispersed management and collective centralized management and inject the rural economy with new vitality. Since 1988 Huozhou City's grain production has steadily increased for three years in a row, going up a step each year. In 1990 the total grain yield reached 60.7893 million kilograms, the highest level in history.

In speaking about the affect and the results of two-way contracts, Municipal Party Secretary Hao Zhongli [6787 1813 4409] summed it up under the following points:

I. Two-way contracts introduce the contract mechanism from the household management level to the collective management level and all departments concerned, truly improving its "centralized" function, establishing a sound service system, and encouraging the stabilization, improvement, and development of the household contract responsibility system linked to production. Presently, Huozhou City has essentially realized a township-based unified planting plan, unified supply of agricultural production materials, unified seed distribution, and unified technological guidance, and it has realized a village-based unified use of farm machinery, unified crop planting and cultivation technology, unified management and use of water, and unified prevention and control of plant diseases and elimination of pests.

II. Two-way contracts help government departments to improve their work and to strengthen government macrocontrol and management of agriculture. In the past, because they lacked the necessary restraining measures, some departments made services flexible targets. If they felt like doing them, they did them. If they did not feel like doing them, they did not do them. Some even cheated the peasants and harmed the peasants for the benefit of the department. Since the two-way contracts were implemented, the service responsibilities to the peasants on the part of cadres at every level and all departments are specified by agreement and the division of labor is explicit and duties are clear. The two-way contracts are monitored in both directions and whichever side violates the agreement will be punished as stipulated. So, agricultural services are no longer something that can be done or not. They greatly encourage government departments to change from a one-way administrative directive form to a service and guidance form. At the same time, the government can, according to the needs of the state and market demands, and according to the strength of the local economy and the level of service, formulate a unified agricultural production plan and use the contractual relationship to make the peasants accept the direction of the plan.

III. Two-way contracts encourage equitable disposition of all elements of agricultural productive forces. The technology, funds, and goods and materials required by the peasant in production are fixed in the form of an agreement, and government departments and service organizations at every level supply and open up the channels for these productive elements to flow into the production process. Last year, the use of chemical fertilizer, pesticides, mulching plastic, high-grade seed, and deep-cut mechanical plows, as well as the agricultural use of technology for broad furrow seeding and for the mixing and application of fertilizer that the municipality provided the peasants were the most of any year in history.

Xi County System

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[Article: "Bold Reform, A Successful Step—Xi County Party Committee Leaders Answer This Paper's Reporters' Questions About the County-Level Comprehensive System Reform"]

[Text] After Xi County in Shanxi Province convened an on site meeting on county-level comprehensive reform, we hurried to Xi County to conduct interviews. Because county-level comprehensive reform is a complicated matter and we do not ordinarily study it very much, we adopted the discussion format. The county comrades clearly stated the situation and we asked questions, "insisting on getting to the bottom of the matter and finding out where the truth is" until it was thoroughly clarified. After four or five days of interviews, we felt that the issues were essentially clarified and the present form based on answers to reporters questions was set up. While we were in Xi County, leading comrades from more than forty counties first came to observe and learn. Later, leading comrades from various counties in the Xinzhou region also came. In order to save everyone trouble, we published part of the questions and answers below for everyone to research and study.

Question: Some time ago, the provincial system reform committee called an on-site meeting here to publicize your county-level comprehensive reform experience. May I ask, what has your experience been?

Answer: In April 1988, Xi County was designated by the provincial party committee and the provincial government as "an experimental county for comprehensive reform to shed poverty and get rich." For three years, we have fully utilized the experimental policies given to our county. From the time that Xi County actually began the project, we have boldly reformed the county management system, and with the backing of the county agricultural management department, we have established ten serialized service centers to service the five major industries of grain, oil, fruit, animal husbandry, and tobacco and have truly shifted the work of the county administrative departments from concentrating on simple periodic administration and management of the product economy to grouping management, service, and operations to serve commodity production. We have begun to form a total, coordinated planned commodity production service system led by county service centers, based on the vast number of peasant households and linking the county, the townships, and the villages. We have encouraged the development of leading industries and such basic industries as agriculture, forestry, and animal husbandry throughout the county and helped the semi-closed natural economy to convert to a commodity economy. At the same time, we have stumbled on to a new way to transfer cadres and make arrangements for youth awaiting work. By reforming the county organization to create the conditions in which the vast numbers

of cadres can use their talents in commodity production, we can do a better job of fully utilizing human and natural resources, and commodities can flow freely. We have enriched the peasants and increased the county treasury. Three years of comprehensive reform have made the county thriving and active and have given Xi County a period of the most rapid economic development and the most obvious overall results in history.

Question: Did your county need to conduct comprehensive reform? Where was the necessity?

Answer: From 1980 through 1988, our county's nine year treasury revenue increased at an annual rate of 8.4 percent and treasury expenses increased at an annual rate of 14.8 percent. The rate of increase for expenses was 1.75 times the rate of increase in revenue. In the ten years from 1978 through 1987, on average the state treasury subsidy made up 77.2 percent of treasury expenses. The self-supporting capability was only 22.8 percent. With the treasury in that difficult situation, the county treasury had to support a total of more than 3,000 party and government cadres, separated and retired personnel, teachers, and physicians. Moreover, the ranks of cadres increased by about 150 people a year. Increases in the income of the county treasury were far from catching up with the inflation in administrative personnel and the rate of increase of administrative expenses. The burden of the treasury was getting increasingly heavy. Allowing this situation to continue could put the organizations and cadres in ever deeper poverty. In addition, distribution of human resources was seriously out of balance and excessively concentrated in county organizations. In 1987 our county's party and government institutions had 1,734 cadres (not counting teachers and physicians), an average of one party or government cadre for every 47 people. Of these, 60 percent had a secondary education or better. They had a great deal of knowledge and a broad perspective, and they were quick to accept new things. Their developmental skills were great, outstanding for developing the commodity production of a poor mountainous region, but most of them were crowded into party and government organizations. So, on the one hand, it meant that no one went to the open country to open industries and develop production; on the other hand, in the organizations there were many people, but there was little work. A considerable portion of organizational cadres only had a few days work a month and with overstaffing efficiency declined. In addition, with the progressive development of the economy, the present system was unsuitable in several places. If it were not further adjusted, reform would become a major obstacle to economic development. To resolve the problems described above would require finding a way to spread out the cadres. So, this reform of the overall system had to be conducted.

Question: From the introduction above, it appears that your reform has been mainly conducted in various agricultural departments. Was making agriculture the breakthrough point done by chance or necessity?

Answer: Xi County is located in the Jinxi loess plateau, a region of broken down embankments and ravines, where "the mountains do not produce gold or tin and the people are not refined or skilled, and besides the five cereals and the six domestic animals, they have nothing." Under the ground there is nothing to dig and above the ground there is nothing to pull, but we also have two big advantages. One is that the land is rather rich in natural resources with a very great potential for exploitation. The entire county has 430,000 *mu* of actual cultivated land and an area of more than 900,000 *mu* suitable for forests. Per capita barren mountains and barren slopes are 22 *mu* and per capita cultivated land is nearly seven *mu*. Moreover, the frost-free period reaches approximately 160 days and there are rather ample solar resources. The second thing is the rather ample human resources. So, on the basis of repeated surveys and studies, we proposed the developmental policy of "making the county, the township, and the people rich by stepping up grain and oil production; enriching forestry, fruit growing, and animal husbandry; and exploiting cured tobacco" and generally exploiting the entire county's resources centering on the five major industries of grain, oil, fruit, animal husbandry, and tobacco. While exploiting them, we are reforming the current management system and, with the backing of the government agricultural department, establishing ten developmental service centers for agricultural technology, the forestry and animal husbandry industry, commerce, cured tobacco, fruit trees, raising rabbits, edible mushrooms, farm machinery, science and technology, and farmlands.

Question: The township and town levels are more directly related to villages and agricultural service organizations. Since your reform began from peasants, why did you not begin from township and town government organizations?

Answer: Our county's specific situation is that the economic base is extremely weak and throughout the county the economies of townships and towns are extremely limited. It would be rather difficult to set up industries on the township level. The county is the place where the urban and the rural are linked and a place where people, wealth, materials, and power are concentrated. Initiating reform on the county level, it is easy to make use of people, wealth, and materials, which are rather important in setting up industries. Moreover, beginning from the county level, we can affect the overall development of industries throughout the county. In the township they can only take into consideration the few conditions that the township possesses, which is somewhat limiting, and cannot affect the whole county. Forming industries beginning from the county level helps to develop a definite scale and is advantageous to a unified plan and coordinated development for the entire county.

Question: In this way of doing things do party and government cadres not engage in business and manage enterprises? You certainly considered this policy issue from the outset, did you not?

Answer: We paid a great deal of attention to this issue, but we felt that permitting the party and government organizations of a poor mountain region to engage in developmental production was not the same as party and government organizations engaging in business and managing enterprises. The two are distinguished in that: 1) The goals are not the same. Party and government organizations that engage in business or manage enterprises have profit or the benefit of their own unit as a goal, but the goal of specialized economic management departments in poor mountain areas engaging in developmental production is to serve the peasants and to serve the development of a commodity economy in the mountain region. It is to establish service systems by setting up and guiding industries, to establish economic entities through the service system, and through the economic entities to develop a form for the common good of the peasants. 2) The functions are not the same. The special economic management departments in poor mountain regions engaged in developmental production combine management, service, and operational functions aimed at service. They are agricultural socialized service systems extended to county-level organizations. 3) The object of the service is not the same. They are faced with the self-sufficient mountain area peasants who for thousands of years have worked from sunrise to sunset and produced for themselves and spent for themselves. Comrade Deng Xiaoping says, "To lead is to serve." The specialized economic management departments in poor mountain counties should be greatly encouraged to serve the mountain area peasants even more by engaging in developmental production. 4) The practical results are different. More than three years of experimentation in Xi County have shown that by having a special economic management department in a poor mountain county engage in developmental production, the economy of the whole county and region is invigorated. It is an experiment that benefits the country, the county, and the people.

Question: Cannot allowing functional government departments to operate developmental service centers in this way be considered not separating government and enterprises?

Answer: Our major "centers" all are economic entities and they all are also service organizations undertaking developmental service for the entire county's agriculture. They presently are all run by administrative organizations. The development of the centers is greatly dependent on administrative management. If they were divorced from government organizations, the centers' development would be affected. The present "unity" of government and enterprises is transitional. We first temporarily maintain the "unity" of government and enterprises to permit the "centers" to gradually develop and grow until the industries gradually grow and the economic power of the entity grows to the point that it can survive independently. Then, we will bring about a complete divorce of government and enterprises, and the administrative units will only maintain their management functions. The rest of the operational and service

functions will all be undertaken by the "centers" themselves, thereby arriving at the goal of streamlined administration and deflating organizations.

Question: How were all these ten service centers organized?

Answer: There were three situations. The first was that in which the original organization and the original staff were given new functions and an added title. For example, the forestry bureau was changed to the forestry developmental service center and the agricultural machinery bureau was changed to the agricultural machinery developmental service center. All together there were five of this type of unit. The second situation was that in which the organization and the personnel were adjusted somewhat. For example, the animal husbandry industry and commerce developmental service center were organized using the original animal husbandry bureau as a base and transferring the food companies and refrigerated vehicles belonging to the commerce bureau and the feed companies belonging to the grain bureau. The advantage of this is that production, supply, and sales that in the past had been broken up among several concerns became unified. Improved breeding, feed supply, prevention and cure of diseases, dissemination of technology, and processing and sales for the entire county's animal husbandry were all undertaken by it, forming a serialized service. The third type were newly organized based on our county's preponderant natural resources. There were the four centers for fruit trees, cured tobacco, edible mushrooms, and raising rabbits. More than twenty administrative cadres were transferred from departments directly related to the county. Additionally some staff who knew the field were transferred and some youth awaiting employment were absorbed.

Question: To organize the ten major "centers" all together how many party and government cadres were transferred? Certainly not all the comrades wanted to go. How did you accomplish this?

Answer: Presently Xi County has a total of 720 people working in the various developmental service centers. Of these 218 are cadres from party and government organizations. To tell the truth, when the cadres from party and government organizations were transferred to the "centers," at first there were many misgivings in people's minds. The principle fear was breaking "the iron rice bowl." To resolve that issue, on the one hand, we publicized the meaning of the system reform and called upon everyone to go to where they could accomplish something. On the other hand, we adopted some measures that made it easy for people to accept. One involved not changing the original administrative structure of the agricultural department. While retaining the original administrative organization sign, another sign was hung for the economic development service entity. The "center" and the corresponding bureau or committee implemented "one staff, two signs." So, it was

linked with the targeted model for county-level organizational reform; with the central, the provincial, and the local special economic department management system, little changed. It put the county-level organizational reform one step ahead. It also could alleviate "vertical" and "horizontal" frictions in the system reform and obtain "vertical" support for the county-level organizational reform. At the same time, by not changing the sign, people could accept it mentally and it would not cause a big stir in the thinking of the cadres, thereby reducing the difficulty of the reform. The second thing was to implement the "three no changes" for the cadres and staff entering the "center." That is, their original grade would not change, their original status would not change, and wages, allowances, bonuses, and fees for administrative tasks would not change. At the same time, the same as with cadres and staff working in administrative institutions, they would enjoy established grade, transfer to cadre status, and evaluation of professional post treatment, allowing these people to "wear a safety helmet on their heads and a safety belt on their bodies" and relieved their concern for what they had left. So, some have called the reform with this kind of thinking "shock-free reform." Now, as the "centers" have grown and developed and more individuals have entered, people's misgivings have begun to be dispelled, ideological concepts have begun to change, and more and more people want to come to the "center."

Question: What are the duties and responsibilities of the ten major service centers?

Answer: For the center to better do its part, the county has defined the centers' duties and responsibilities. The first is to take over the development of the items of their industry and implement a comprehensive service for unified production, supply, and sales. The second is to take charge of the inspection and testing, examination and approval, and matching funds for the items of their industry. The third is to take responsibility to higher authorities for repayment of loans for those items. And the fourth is to take responsibility for organizing and implementing industrial serial development throughout the county, inspecting and overseeing it, and giving good advice to the government.

Answer: What preferential policies does the county have for the service centers?

Answer: In April 1988, when Xi County was made an experimental reform county, the provincial party committee granted a special policy to permit administrative and professional units beginning with services to set up economic entities in accordance with their need to develop production. In this spirit, we implemented some preferential policies for the service centers: 1) The service centers would be compensated and receive reasonable remuneration for technical guidance given to townships, villages, or rural households, for personnel training, for providing information, and for the supply of production materials as well as various services before, during, and after production. 2) All service centers could

establish their own production bases or could establish them jointly with townships, villages, or rural households. With the exception of taxes that they are required by law to pay and the land rental fees that they have contracted to pay, or what they divide up with the joint unit, all income would go to the center. 3) The service centers could be reasonably compensated according to the agreements for technology contracts, concentrated on the centers' serialized development items, made on township, village, and rural household orchards, crops, and stockyards. 4) The service centers, concentrating on the centers' serialized development items, could carry out purchasing, transport, and wholesale and retail business on various commodities of their developmental service industries (except for state regulated exclusive business commodities). 5) They would be permitted to set up and manage various factories (markets), concentrating on the development of their industries, and initiate processing and sales for the products of their industries. 6) With the approval of the labor department, they could give preferential placement to youth awaiting employment and take in a small number of temporary rural workers as needed. 7) The service centers, as long as it does not affect the development of their industries and with the approval of the county government, could use items' intermittent funds to conduct business activities to serve those items. 8) Special accounts would be established for service center financial files and they would be independently accounted and self-managed.

Question: In opening a service center how do you serve the grass-roots, the peasants?

Answer: The service of the ten major "centers" penetrates the whole process of production, supply, and sales for the industries, forming Xi County's production pattern headed by processing enterprises and based on rural households involved in industries and linked by socialized service. There are five types of services: 1) Direct service type in which the service centers sign an agreement directly with the rural households and provide production, supply, and sales services directly to the household. 2) The diffusion model type which is built around the centers established as model points or model regions and spreads out from the point or the region. 3) The layered service type that provides service to the many levels of key households, production bases, and thousands of families and households within varied limits. 4) Equipment service type which include farm facilities and farm machinery centers. 5) Engineering management service type which is mainly to serve grain production. Last year two projects were the 10,000 *mu* of mulching plastic covering corn and the high yield of 10,000 *mu* of sorghum. Led by the science and technology service center and the agricultural technology service center, respectively, contracts were set up and grouped. At the county, township, village, and household levels letters were signed indicating responsibility, and comprehensive provision of advanced agricultural technology and high-level science and technology, and high investment and intensive operations were implemented.

Question: Is the service compensated?

Answer: There is compensation. Initiating compensated service is a major function given to service centers by the county party committee and the county government and is an important method that the service centers use to operate. Setting up compensated services is mainly used for technical contracts, technical training, and promoting the sale of products. For example, the animal husbandry industry and commerce service center provides compensated technical services for livestock and poultry raised by individual feeders for such things as disease prevention and cure, improvement of varieties, cattle and sheep pest removal, and technical training. At the beginning of each year, the "center" signs a contractual agreement with them and exacts a one time technical contract fee based on the number of livestock and poultry on the farm, three to four yuan for every head of large livestock, two to three yuan for hogs, 0.5 yuan for sheep, and 0.1 yuan for poultry. Since last year, more than 9,700 peasant households throughout the county have participated in the technical contracts, 80 percent of the feeders in the county, and the "center" has taken in a total of 49,000 yuan in technical contract fees. Other economic development centers have done likewise. The fruit tree service center each year organizes technical service teams to go to the villages to accomplish such services as pruning and plant protection. Throughout the county, the center undertakes 70 percent of the fruit tree pruning tasks. For each tree that they prune they receive a technical service fee of from eight fen to one yuan, based on the age and size of the fruit tree. At the same time, they also provide the peasants with information and establish contacts and promote the sale of fruit products and receive an appropriate percentage in sales promotion fees. For each 0.5 kilograms that they promote the sale of, they generally receive only one fen.

Question: Operating a service center requires funds. Where does your money come from?

Answer: There are four channels. The first is that six centers, agricultural technology, agricultural machinery, forestry, science and technology, farm construction, and animal husbandry industry and commerce, practice "one staff, two signs" and the original units have some funds on hand. The second is that centers for such things as fruit trees, cured tobacco, edible mushrooms, and raising rabbits take in some itemized funds through upper level channels. The third is that the ten major centers make some loans through agricultural administration. The fourth is that some funds are collected from the people. In the past, the vast majority of the funds used by upper echelons in poor counties were uncompensated investments. That has changed in recent years to low interest compensated loans. The service centers assume the loans and their repayment and, based on the industrial division of labor, distribute [the loans] to townships, to villages and to households, and assume responsibility for recovering them. So, the centers have a method to fund services and development and effectively turn around the situation of "being powerless to wage war." In

addition, based on the county's preferential policies, the service centers also can use some intermittent funds. All the centers establish their own stable bases of increased revenues and these also are important sources of revenue for the centers.

Question: Some say that in recent years the province has given Xi County quite a bit of money. Has the money that your reform has fed off of actually been this type?

Answer: This is a total misunderstanding and conjecture. The real situation is that at the beginning of 1988 when the provincial party committee and the provincial government designated "the experimental county for comprehensive reform to shed poverty and get rich," they clearly pointed out that they would not give a bit more investment or a bit more materials. They would give only preferential policies. A number of poor counties because of this did not want to become this experimental county, feeling that it did not mean a lot. In recent years, since Xi County became the experimental county, indeed as they first said, the provincial party committee and the provincial government have not given us a bit more investment or a bit more materials. In three years of the experiment, the province has given Xi County altogether [a little] over 12 million yuan in various types of poverty support funds, not the most of any poor county in the province.

Question: How do the centers assume loans and assume the repayment of funds?

Answer: Poverty support funds and various types of economic development funds are tied together and are centrally held and centrally used by the industrial development service centers. Assuming loans and assuming repayment are important services that Xi County service centers provide the peasants. The method of funding for assuming loans and assuming repayment is for loans for the various funds used in developing various industries to be centrally assumed by the service centers responsible for developing that industry in accordance with the industrial division of labor and disbursed to the townships, to the villages and to the households to help the peasants develop production, and then they are responsible for recovering and repaying them. Because the "centers" are responsible for assuming the loans and assuming repayment, after they distribute the loans, they must meticulously organize and direct the peasants' use of the loans to develop production to ensure that the loans are recovered and repaid on time. If the peasants using the loans are unable to repay the loans because of natural disaster or other special reasons affecting production, the "center" uses its own base and operational income to first assume repayment for the peasants. The "centers'" general assumption of loans and assumption of repayment have lessened many problems for agricultural banks and agricultural banks no longer have to bear any risk. The agricultural banks very much want to do it this way. At the same time, the centralized use of various funds by industry changes the piecemeal "pepper shaking" situation and improves the efficient use of funds. In

three years, of the total of 4.15 million yuan of loans in such major centers throughout the county as agriculture, forestry, animal husbandry, water conservancy, and machinery, they have already recovered and repaid 740,000 yuan.

To use and circulate funds, Xi County also has stipulated that, as long as it does not affect industrial development, the "centers" are permitted to use the "intermittent funds" from the loans that they have assumed for repayment to conduct business concentrated on their industry. For example, the county capital and farmland development service center used 150,000 yuan in unmaturing loans that it had collected to purchase three bulldozers and rotated their use. When the loans came due, they used the income from the land created by the bulldozers to repay. So, they improved the returns from rotating the funds and increased the center's enthusiasm for assuming loans and their repayment.

Question: What is the relationship between the "centers" and the county treasury?

Answer: The relationship of the ten major development service centers and the county treasury is that of "two lines of income and expenditures." The developmental service centers are economic entities and must constantly increase income while constantly improving efficiency and with the increase in revenue they must increase the amount that they turn over to the treasury; treasury expenditures for the cadres and staff of these economic entities, based on their economic strength and the desires of the majority of the people, should be gradually reduced until they are finally totally "weaned" and essentially lighten the burden of the treasury. The ten major service centers have now become a source of revenue for the treasury and, being run well, have begun to be "weaned" somewhat from the treasury, and the burden of the county treasury is beginning to be somewhat lightened.

Question: Why do the "centers" all want to operate production bases? What are their individual methods? What allocations do they receive?

Answer: Permitting the service centers to establish developmental production bases was one of the preferential policies that the province gave them. This comes primarily from the following considerations: 1) Because the goal of the centers is service, they can only develop compensated services in conformity with the principle of reasonably low compensation and maintaining the principal while handing over the profits. Depending on service income and very limited business income to increase their strength is an extremely slow process, and establishing stable production bases can provide the centers with subsistence and ensure them of the materials that they need to grow, further increasing their service capabilities and creating the conditions to detach the cadres and staff from the treasury. 2) Establishing production bases acts as an experiment and a model. For example, setting up orchards, lumberyards, agricultural

markets, and stockyards all can help to diffuse scientific and technological achievements and spur the peasants to an improved level of scientific management.

The production bases are established in three forms: joint management, leased contracts, and construction. Joint management is where the center and township or village economic organizations manage a certain industry together, bear the risks together, and share in the profits. Leased contracts are an important form for establishing production bases. By this the centers lease or contract collective land, and after paying the lease as agreed or the contract fee, they manage them alone. Construction is where the centers themselves invest the labor and the funds to develop uninhabited mountains, uninhabited slopes, uninhabited ravines, or uninhabited beaches and establish permanent developmental bases of their own. Up to the present, there are seven bases in the whole county established by centers, constituting an important source of income for the centers and greatly increasing the centers' economic strength and service capabilities.

The income from the bases operated by the centers, the same as the centers' service income and business income, all goes into the centers' "own accounts." With the exception of what they are required by law to pay in taxes and submit to the treasury, 70 percent of the centers' remaining income is used to serve the development of their own industry and expand reproduction, and 30 percent can be used to subsidize bonuses, welfare, and deficiencies in operating expenses.

Question: How do the centers arouse the enthusiasm of the cadres and staff?

Answer: The service centers have such important duties as providing their industries with serialized services and recovering the loans for various types of investments; they have become industry leaders in name and in fact as well as centers for service and principal bodies for investment, but they also have independent accounting and are self-managed. So whether their service and management are good or bad not only directly affects the healthy development of their industry, but also concerns their economic profits and losses. Consequently, the centers from the outset have been thoroughly aware of the principle of distribution according to work, and the more one works the more one gains. They have broken the "big pot" of the past where it did not make any difference if one worked a lot or a little or worked well or poorly.

The animal husbandry industry and commerce development service center has implemented the signing of a letter of duties and responsibilities with the departments, stations, and staff subordinate to it, bringing all norms under total control and examination and directly linking individual income with service and business results. The farm implement development service center has introduced competition mechanisms into production and management and has adopted the business

administration methods of "collective management, individual contracts, explicit norms, and responsibility for one's own profits and losses" for its "teams, departments, and companies," and explicitly stipulated the responsibilities, authority, and benefits of the contractors. After the centers add up the professional jobs and the developmental production duties, they delegate them to the various departments and cadres and staff and implement strict checks and strict and explicit rewards and punishments, quite obviously promoting increased business vitality in the centers, the quickest possible improvement in the centers' service capabilities, and realizing some separation of cadres and staff wages from the treasury.

Question: How have the economic results been in three years of reform?

Answer: Provincial party secretary Wang Maolin [3769 5399 2651] during the Xi County inspection said that reform was to liberate the forces of production and to promote the development of production. When we look at the results of reform, we need only look at whether a few overall economic indicators went up or not. If we conduct reform for a long time and the economy does not improve and production does not increase, it is very difficult to say how reform has done. Xi County in three years of initial reform has, first of all, promoted economic development and quickened the pace of shedding poverty and getting rich. The rate of economic development in the three years of reform is clearly higher than in the past and higher than any other poor county in the entire province and has achieved the "four double growths": 1) In 1990 the county gross value of agricultural output reached 32.84 million yuan, a 108 percent increase over 1987. 2) Gross value of grain output reached 54.83 million yuan, a 165 percent increase over 1987. 3) Average peasant income reached 509 yuan, a 106 percent increase over 1987. 4) Treasury revenue reached 6.09 million yuan, an increase of 134 percent over 1987. Xi County has never experienced this rate in history. This shows that Xi County's reform has promoted economic development and made the peasants gradually richer.

Question: Are the advantages of organizational reform obvious?

Answer: It provides a new way to reform the organization of a poor mountain county and opens the way for cadres to be gradually converted into commodity production economic service entities. Presently, Xi County has a total of 720 people working in various developmental service centers and 218 of them are party and government organization cadres. We already have nearly 100 cadres who have been totally detached from the county treasury. If we continue to develop in this manner, in three to five years, in the entire county 400 to 500 cadres, 36 percent of total county cadres, will be detached from the county treasury. Even more gratifying is that, by setting up developmental service centers, we have brought about a change in the thinking of party and

government organizational cadres. In the past, party and government organizational cadres avoided agriculture and forestry department units completely. Now some people compete to go there, and those who formerly thought of being transferred now do not go. For example, animal husbandry industry and commerce center cadre Zhai Chunming [5049 2504 2494] once wanted to be transferred. Now he takes five cadres year in and year out to eat and live in a 10,000 *mu* grassland 30 kilometers from the county seat. Pursuit of the cause and improvement in economic income have caused him to change his mind. Now the developmental centers have produced an attraction. There are some cadres in units that have not participated in developmental service centers that are jealous of the developmental service centers. Some people demand to be transferred to the "centers." This is a very good indication reflecting that cadre thinking is changing.

Newly established economic service entities have become a source of revenue for the treasury and well-run economic service entities have begun to be "weaned" somewhat from the treasury and have begun to somewhat lessen the burden of the county treasury. Four of Xi County's ten newly established economic development service centers last year together provided the treasury with an estimated 196,000 yuan in tax revenue and other revenue. The increased revenue is the equivalent of decreased expenditures. Using the local standard calculation for average personnel administrative expenses of 2,000 yuan per year, it is the equivalent of reducing the burden on the treasury by 100 cadres. The county animal husbandry industry and commerce developmental service center runs the best entity. Last year their net income was 310,000 yuan. The county treasury only gave them basic wages, bonuses, welfare and various subsidies, and fees were collected and paid by the animal husbandry industry and commerce developmental service center itself. This alone reduced treasury expenditures by more than 30,000 yuan. It is estimated that this year the revenue provided to the treasury from various economic development service centers could reach 400,000 yuan, doubling last year's, the equivalent of reducing the burden on the treasury by 200 cadres. By 1993, we will have 300 cadres detached from the treasury. If we continue this development, we could effectively increase county treasury revenue and essentially reduce the burden on the treasury.

Question: How have various townships kept up with the county's pace of reform?

Answer: We have transformed the county-level organizational reform process into a process to rebuild the county-level agricultural socialized service system, affecting and spurring the development of the township and village service systems. The economic development service centers set up by Xi County have become "the leaders" in industrial service. The information, funds, materials, and technology required by various industries in the developmental process are all provided by the

developmental service centers. The developmental service centers have built service stations in all townships and villages. Some villages are also provided with special service personnel so that they extend developmental service centers to the grass-roots offices, organizations, and personnel and thereby operate a county, township, and village service system network, changing the situation that once occurred "when the line is cut, the net breaks, and the people scatter." The developmental service centers are connected down to the thousands of household producers and are connected up to the ever changing large markets, becoming intermediaries for production and sales, organically integrating the thousands of scattered household businesses with the large commodity economy markets, and promoting the development of the rural commodity economy. When products produced in the countryside are overstocked, the economic development service centers should use protective prices to open up purchases, and when the market price goes up, they should sell them out. Thus, they will help the peasants to reduce their market risks and to keep down prices, which is welcomed by the producers and the consumers.

On Self-Government in Autonomous Institutions

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[Article by Sun Zhonglin (1327 1813 7207), affiliated with the Department of Law at Inner Mongolian University: "Self-Government in Autonomous Institutions"]

[Text] **Summary:** Self-government is the right of autonomous institutions to manage the internal affairs of their native regions and nationalities on their own initiative, within the limits of authority as prescribed by the Constitution and law, and based on their actual conditions. Self-government has the following three features: 1) It is the decisionmaking power given to autonomous institutions and is noted for its unity of latitude and limitations and its combination of rights and powers. 2) It is exercised by autonomous institutions, and belongs to the people of all nationalities in their regions. 3) As it is the key to regional national autonomy, autonomous institutions should, with the leadership and assistance of higher-level state organs, display a spirit of development initiative by using it well to speed up the development of all causes in national autonomous areas.

Key terms: Self-government (autonomy), its major practitioners, and the key to regional national autonomy.

Autonomous institutions in national autonomous areas can practice self-government within the limits of authority as prescribed by the Constitution, Regional National Autonomy (RNA) Law, and other laws. This is one of the key distinctions between national autonomous

areas and ordinary areas. Both the theory and practice of self-government in autonomous institutions must be explored and studied conscientiously and thoroughly.

I. The Concept of Self-Government

Article 115 of the current Constitution of the PRC and Article Four of the RNA Law both stipulate that autonomous institutions in national autonomous areas are to exercise the authority of regional state organs as prescribed by Chapter Three, Section Five of the Constitution, practice self-government within the limits of authority as prescribed by the Constitution, the RNA Law, and other laws, and implement national laws and policies based on actual conditions in their native regions. In which case, what does self-government actually mean? The current views on this question in Chinese academic circles differ mainly in the following areas: 1) The jurisdiction of self-government: Is self-government in autonomous institutions generally a common right of the people of all nationalities in national autonomous areas or a special right of the particular minority nationalities that hold the regional autonomy alone? For instance, "Regional national self-government refers to the right of the people of the nationalities that hold the regional autonomy and other nationalities in national autonomous areas to manage the internal affairs of their native nationalities and regions on their own initiative, as prescribed by the Constitution and law." (Footnote 1) (*Elementary Knowledge of the Regional National Autonomy Law*, Sichuan People's Publishing House, July 1986 edition, p 25) "So-called self-government is the right of minority nationalities to be the masters of their own affairs." (Footnote 2) (*An Introduction to Nationality Issues and Policies*, Chengdu S&T University Publishing House, July 1987 edition, p 189) "Based on the principles of unity and autonomy, national autonomy is a right that the state should grant to national autonomous areas and, based on the principles of equality and autonomy, one that autonomous nationalities should enjoy." (Footnote 3) (*NATIONALITY STUDIES* No 2, 1988, p 15) 2) The scope of self-government: Does self-government in autonomous institutions refer only to management of the internal affairs of a nationality, or does it include management of regional affairs within national autonomous areas? Views differ in this area too, and a consensus of opinion has not yet been reached. For instance, "Regional national autonomy is the right of minority nationalities to be the masters of their own affairs and manage the regional internal affairs of their native nationalities." (Footnote 4) (*The Constitution of the PRC*, China People's University Publishing House, April 1989 edition, p 259) "Self-government is a special right of autonomous institutions in regional national autonomous areas to manage the internal affairs of all nationalities in their regions on their own initiative within the limits of jurisdiction as prescribed by law." (Footnote 5) (*NATIONALITY STUDIES* No 2, 1989, p 1) "Autonomy is not only the right to manage the internal affairs of native nationalities but also includes the right to manage

the internal affairs of native areas." (Footnote 6) (NATIONALITY STUDIES No 2, 1988, p 15)

So how are we to define the concept of self-government in autonomous institutions? I think that it should be defined as follows: Self-government is the right of autonomous institutions in national autonomous areas to manage the internal affairs of their native regions and nationalities on their own initiative, within the limits of authority as prescribed by the Constitution, the RNA Law, and other laws and based on their actual conditions. Self-government is composed of the three key elements of its major practitioners, its legal substance, and its scope of exercise. Self-government in autonomous institutions, as prescribed by the Constitution and law, reflects the right of national autonomous areas to manage the internal economic, cultural, and educational affairs of their native areas on their own initiative and the right of the people of the minority nationalities that hold the regional autonomy to manage the internal affairs of their native nationalities on their own initiative.

Self-government in autonomous institutions includes the right to manage the internal affairs of both native nationalities and native regions. This is because China's regional national autonomy is neither pure national autonomy nor ordinary regional autonomy, but is rather "the right combination both of national and regional autonomy and also of economic and political factors." (Footnote 7) (Zhou Enlai: *On Several Issues in China's Nationality Policy*, p 11) As used here, "native regions" refers to all national autonomous areas in general, while "native nationalities" refers to the particular nationalities that hold the regional autonomy in the various national autonomous areas, but refers neither to all nationalities in national autonomous areas, nor to "the whole" of certain minority nationalities that hold the regional autonomy. A distinguishing feature of China's regional national autonomy is that members of the same minority nationality can hold local autonomy separately in the various areas that they inhabit. Our use of the term "native nationalities" is because 1) everyone is better accustomed to its established usage, so that it does not generally cause much doubt, and 2) it is easy to write.

Why do we say that self-government should include the right to manage the internal affairs of native regions on one's own initiative, instead of being only the right to manage the internal affairs of native nationalities? 1) Much of the substance of self-government as prescribed by law involves national autonomous area matters, such as legislation, economic development, fiscal management, education, culture, and public security troops with which to organize native regions and maintain public security. Most of these matters are regional affairs of national autonomous areas, instead of being the internal affairs of certain nationalities alone. 2) As prescribed by Article 115 of the Constitution and Articles Four and Six of the RNA Law, self-government in autonomous institutions as prescribed by law is premised on enabling autonomous institutions to "implement national laws

and policies based on actual conditions in native regions," and on allowing "autonomous institutions in national autonomous areas the right to adopt special policies and take flexible steps, based on conditions in native regions and premised on not violating the Constitution and law, in order to speed up economic and cultural development of national autonomous areas." If self-government is only the right to manage the internal affairs of nationalities, the wording of these articles should be changed from "based on actual conditions in native regions" to "based on actual conditions in native nationalities" and from "speed up economic and cultural development of national autonomous areas" to "speed up economic and cultural development of native nationalities." In summary, the understanding that self-government in autonomous institutions is only the right to manage the internal affairs of nationalities, is too limited.

As to the view that self-government should include only management of the internal affairs of the nationalities that hold the regional autonomy, but should not be understood to mean management of the internal affairs of all nationalities in national autonomous areas, I would make the following three points: 1) The substance of self-government in autonomous institutions as prescribed by the RNA Law directly involves some nationality issues, such as their distinguishing features, spoken and written languages, minority nationality cadre training, minority nationality personnel recruitment preferences, educational development, particular forms and features of cultural development, literature publication, protection of cultural heritage, medical development, and traditional sports activities. Although it also includes the need to give the proper consideration and grant all possible preferences to other nationalities in national autonomous areas, it still emphasizes that consideration and preferences should be given first to the minority nationalities that hold the regional autonomy. As most of China's minority nationalities hold the regional autonomy in the areas that they inhabit, they all also enjoy the right to manage the internal affairs of their native nationalities, as well as a certain amount of preferences. (The state and all regions have other preferential policies for scattered minority nationalities, which will not be given in detail here.) As most of the Han nationality, which accounts for more than 90 percent of the population of China, does not live in national autonomous areas, its internal affairs can only be considered and managed on an overall national basis. 2) The nationalities that hold the regional autonomy have more delegates to the people's congresses in national autonomous areas, have more leading cadres in the NPC [National People's Congress] Standing Committee, and hold key positions of leadership in the people's government. In other words, most of the representative figures of the nationalities that hold the regional autonomy are concentrated in autonomous institutions. As they are more familiar and concerned with the internal affairs of their native nationalities, autonomous institutions handle the internal affairs of the nationalities that hold

the regional autonomy and can generally reach the correct decisions only after fully hearing their views. Autonomous institutions are not organizationally qualified to manage the internal affairs of the other minority nationalities that do not hold the regional autonomy. 3) While so-called "internal affairs of nationalities" cannot be said to be necessarily the internal affairs of the whole of certain nationalities, it should at least include sizeable colonies of them. Moreover, as it is very common for China's many nationalities to be widely scattered, the affairs of the members of tiny nationalities that are scattered throughout national autonomous areas cannot be equated with the internal affairs of minority nationalities. We acknowledge that all minority nationalities have the internal affairs of their nationalities, while denying that the members of all nationalities have the internal affairs of nationalities. Thus, the view that autonomous institutions should manage on their own initiative the internal affairs of all minority nationalities within national autonomous areas is incorrect. To sum up, I think that self-government in autonomous institutions should and can include the right to manage the internal affairs of the nationalities that hold the regional autonomy but should and cannot include the right to manage the internal affairs of all nationalities in national autonomous areas.

II. The Distinguishing Features of Self-Government

In order to more accurately understand the implications of self-government in autonomous institutions, I think that it is necessary to further explore the following major distinguishing features of self-government:

1. Self-government is the decisionmaking power granted to autonomous institutions.

Self-government in autonomous institutions is a particular right granted to autonomous institutions in national autonomous areas by the Constitution, the RNA Law, and other laws. State organs in other areas do not have it on one hand, and it is also different from the high degree of self-government that will be enjoyed by the special administrative region (the Hong Kong SAR) that China is going to establish in the near future on the other. It also differs from things, such as the special license granted by the state to SEZ's [Special Economic Zones], and the autonomous rights of basic-level mass organizations. It is a special license granted by the state to enable minority nationalities to be the masters of their own affairs in the regions that they inhabit, and to manage the internal affairs of their native nationalities on their own, and to enable national autonomous areas to proceed from their actual conditions, by adopting special policies and taking flexible steps to speed up their economic and cultural development and improve their backward conditions as quickly as possible.

Self-government is the specified decisionmaking power enjoyed by autonomous institutions. The Constitution provides that autonomous institutions in national autonomous areas can "plan and manage regional economic

development on their own initiative," and "manage education, culture, public health, and sports in their native regions on their own initiative." The RNA Law grants national autonomous areas nine "decisionmaking powers" in areas, such as planning, management, utilization, and development, in its provisions on self-government in areas, such as economic development, public finance, culture, and education. It must be clarified that self-government is a combination of the nationality decisionmaking power of the nationalities that hold the regional autonomy, and of the regional decision-making power of the autonomous areas that hold the regional autonomy. In addition to enjoying the decision-making powers of state organs in ordinary regions, autonomous institutions in national autonomous areas also enjoy "more decisionmaking power than ordinary areas." (Footnote 8) (See Vice Chairman of the NPC Standing Committee Ngapoi Ngawang Jigme's [7093 3099 7093 2489 2516 5019] "Explanation of 'The PRC Regional National Autonomy Law (Draft)'" This "more decisionmaking power than ordinary areas" is the precise meaning of self-government in autonomous institutions.

2. Self-government is noted for its unity of latitude and limitations.

The latitude of self-government includes the following two aspects: 1) It means extraordinary latitude for the major practitioners of self-government. China now has as many as 159 national autonomous areas, in which all autonomous institutions practice self-government. 2) It means extraordinary latitude for the substance of self-government as prescribed by law. The substance of self-government as prescribed by Chinese law has undergone a process of gradual expansion from the "Common Program of the CPPCC" to the "PRC Regional National Autonomy Law." The general trend of development has been toward fuller and more perfect substance. Self-government in autonomous institutions, as prescribed by the RNA Law that was issued in 1984, lists 27 special sections, whose substance involves various areas, such as politics, economics, public finance, education, culture, public health, and sports.

The following limitations of self-government show generally that self-government in autonomous institutions is relative instead of absolute: 1) As self-government is decisionmaking power subject to unified national leadership, it is not minority nationality sovereignty, and even less so national sovereignty. As regional national autonomy is subject to unified national leadership, all minority nationalities hold regional autonomy in the regions that they inhabit, all national autonomous areas are inseparable parts of China, and autonomous institutions in national autonomous areas are the state's top organs of regional political power, autonomous institutions that practice self-government must adhere to the four basic principles and submit to the unified leadership of the Central Government and higher-level state organs. Certain particular exercises of self-government are subject to approval by the NPC Standing Committee,

the State Council, or other higher-level state organs in charge of autonomous institutions. 2) The Constitution and the RNA Law prescribe certain proscriptions on most of the particular substance of the exercise of self-government, such as that it be "under the leadership of state planning," "in accordance with national military regulations," "premised on adhering to socialist principles," "as prescribed by law," "in accordance with state provisions," or "subject to State Council approval." 3) While self-government has extraordinary latitude in substance, it is certainly not all-encompassing or unlimited. The particular substance of self-government has both latitude and limitations. Its general limitations are that it applies to the management of the internal affairs of national autonomous areas, including the internal affairs of the nationalities that hold the regional autonomy and the regional internal affairs of national autonomous areas. And its specific limitations are that it does not exist beyond the legal limits of authority as prescribed by the Constitution, the RNA Law, and other laws. 4) The practice of self-government is limited to national autonomous areas, is effective only regionally, and has no weight or binding force beyond the administrative divisions within the jurisdiction of autonomous institutions.

3. Self-government is noted for its combination of rights and powers.

Self-government has the dual nature of a right and a power. In other words, it is both a right and a power. As far as its being a right, self-government is a right bestowed on autonomous institutions in national autonomous areas by the state in accordance with law. It is expressed as a certain degree of decisionmaking power and certain rights and interests acquired through special permission, and reflects the relations between the state and national autonomous areas, and those between the Han nationality and minority nationalities. Rights and duties are mutually corresponding, in that where one party has rights, the other necessarily has corresponding duties. The Central Government and higher-level state organs in national autonomous areas have the duty to guarantee the exercise of self-government in autonomous institutions. Of course, as rights and duties in China are relative and consistent, autonomous institutions enjoy the right of self-government, while having the duty to take active steps to fulfill all tasks assigned to them by higher-level state organs, in order to safeguard national and nationalities unity. As far as its being a power, self-government is a power of autonomous institutions. As autonomous institutions are the state's top organs of regional political power, their exercise of power is noted for carrying the weight of the state. When exercising self-government, the specific regulations that are drawn up in the exercise of autonomy, the resolutions and decisions that are reached, and the special policies and flexible steps that are adopted and taken by autonomous institutions in accordance with law, have binding force on all organizations and citizens within their jurisdiction. These acts reflect the relations between autonomous institutions and lower-level state organs, and those

between state organs and other organizations and citizens in the area under their jurisdiction.

III. The Major Practitioners of Self-Government

Who is it that practices self-government in national autonomous areas? China's 1954 Constitution clearly stipulated that self-government was to be practiced by autonomous institutions in national autonomous areas. China's current Constitution reaffirms this principle. It stipulates in Article Four, Section Three that "All areas inhabited by minority nationalities are to have regional autonomy, establish autonomous institutions, and practice self-government." Articles 116 to 121 on self-government in national autonomous areas in fields, such as legislation, economics, public finance, culture, and education, also all stipulate that self-government is to be practiced by autonomous institutions. Chapter three of the Regional National Autonomy Law prescribes self-government in national autonomous areas in full detail under the heading "Self-Government in Autonomous Institutions." When separately prescribing the particular substance of self-government, most of the 27 articles in Chapter three clearly prescribe the specific powers of autonomous institutions in national autonomous areas.

The regional national autonomy that is practiced in China is not pure national autonomy, but rather the correct combination of national and regional autonomy. As the distribution of China's nationalities is characterized by small compact communities living together in large areas, in which various nationalities live interlocked, Article 12 of the Regional National Autonomy Law stipulates in its establishment of national autonomous areas that "In areas inhabited by minority nationalities, based on local conditions, such as nationality relations and economic development, and taking historic conditions into account, autonomous areas can be established in areas inhabited by one or more minority nationalities," and that "In accordance with actual local conditions, national autonomous areas can include areas, cities, and towns inhabited by some people of the Han nationality or other nationalities." In other words, as China's various nationalities live together, autonomous areas with a single nationality can rarely be established. Many nationalities can live in a national autonomous area, and the Han nationality constitutes the majority in many national autonomous areas. As an autonomous area is established jointly by the people of the various nationalities inhabiting it, all of the people of the various nationalities inhabiting it are its masters, and should have a hand in its exercise of self-government.

China is a socialist country with a people's democratic dictatorship and employs a form of political organization of a People's Congress system, in which all of the power of the state belongs to the people, and the organs that exercise state power for the people are the People's Congresses. In national autonomous areas, autonomy is held by the people of all of their nationalities, and the organs that exercise self-government for the people are autonomous institutions, i.e., the People's Congresses

and people's governments of autonomous regions, prefectures, and counties (banners). These autonomous institutions represent the interests of the nationalities that hold the regional autonomy, and also the common interests of the people of all nationalities in autonomous areas. When exercising self-government, autonomous institutions must reflect both the will of the people of the nationalities that hold the regional autonomy, as well as that of the people of all nationalities in autonomous areas.

China's regional national autonomy is also the correct combination of economic and political factors. Much of the self-government in national autonomous areas, as prescribed by the Constitution and the RNA Law, is the right of autonomous institutions to plan and manage economic and cultural development in autonomous areas on their own initiative. In multinational autonomous areas, the development of all causes, such as economic construction, fiscal management, education, science, and culture, directly affects the prosperity and improvement of living standards of all nationalities in autonomous areas and requires that the people of all nationalities jointly contribute their intelligence and wisdom. Thinking that it is only the nationalities that hold the regional autonomy that have the right to practice self-government, while refusing to acknowledge that all of the people of the various nationalities that do not hold the regional autonomy have the right to participate in the exercise of self-government, would actually be depriving the masses of people of other minority nationalities and the Han nationality that do not hold the regional autonomy in national autonomous areas of their right to "manage their economic, cultural, and social affairs," (as prescribed by Article Two of the Constitution). This would both be out of line with the principles of equality, unity, and mutual aid among all nationalities and would also be detrimental to arousing the initiative of the people of all nationalities in national autonomous areas to develop socialism. The preface to the RNA Law points out that "Regional national autonomy reflects the spirit of the state's full respect for and guarantee of the rights of all minority nationalities to manage the internal affairs of their native nationalities, as well as the state's adherence to the principle of equality, unity, and joint prosperity for all nationalities." When implementing the RNA Law, it is necessary to remember well its major thrust and basic principles in regards to all matters.

Does stipulating that self-government is to be exercised by autonomous institutions and acknowledging that self-government in autonomous institutions belongs to the people of all nationalities in autonomous areas, affect or encroach upon the right to self-government of the nationalities that hold the regional autonomy? The RNA Law ensures the right to self-government of the nationalities that hold the regional autonomy as follows: 1) In the area of the composition of autonomous institutions, it provides essential guarantees, such as, the key positions of leadership of autonomous institutions are to be held by citizens of the nationalities that hold the regional

autonomy, proper consideration is to be given to the allotment of quotas of minority nationality representatives in the organs of power of national autonomous areas, and the staffs of people's governments in autonomous areas must be composed as much as possible of people of the nationalities that hold the regional autonomy. 2) While the right to self-government should generally belong to the people of all nationalities in national autonomous areas and be exercised by autonomous institutions, the RNA Law, in order to safeguard the equal rights and special interests of minority nationalities, clearly stipulates that certain specific rights to self-government should be enjoyed by the nationalities that hold the regional autonomy (or other minority nationalities) alone, such as the rights to use spoken and written national languages, train minority nationality cadres, develop national education, cultures, and traditional medicines, and hold traditional national sports activities. As long as autonomous institutions conscientiously adhere to the principle of equality, unity and mutual aid for all nationalities, the dominance and right to self-government of the nationalities that hold the regional autonomy will be respected by the peoples of other nationalities, and their legal rights and interests in autonomous institutions will be guaranteed.

IV. Self-Government Is the Key to Regional National Autonomy

The key to regional national autonomy is the state's guarantee that autonomous institutions in national autonomous areas enjoy the right to practice extensive self-government. Self-government in autonomous institutions holds a key position in and is a key component of the RNA Law. In addition to its preface, the RNA Law has seven chapters containing 67 articles, 27 of which are in the chapter on "Self-Government in Autonomous Institutions." Adding in the relevant articles in other chapters, about one-half of the RNA Law's articles have something to do with self-government. Why do we say that self-government is the key to regional national autonomy?

1. Self-government is the concentrated expression of equal rights for minority nationalities. Marxism notes that, since nationalities differ as to size and level of development but not as to natural endowments, with all nationalities having their respective characteristics and long histories, and all having made their own contributions to the development of the history of mankind, all nationalities should be completely equal in status. The stipulations in the Constitution and the RNA Law that autonomous institutions in national autonomous areas enjoy the right to practice extensive self-government show that all minority nationalities have equal rights to manage the internal affairs of their native nationalities and take part in the management of state affairs.

2. Self-government is the major indication that minority nationalities are the masters of their own affairs in the areas that they inhabit and have the right to manage the internal affairs of their native nationalities and that

autonomous institutions hold the decisionmaking power in the management of the affairs of their native areas. Regional national autonomy is practiced in order to guarantee that all minority nationalities enjoy the right to be the masters of their own affairs within the areas in which they hold regional autonomy, as long as they uphold national unity and the centralized leadership of the central government. Without full autonomy, national autonomous areas would be unworthy of the name, and it is only with full autonomy that national autonomous areas can be considered to be truly exercising regional national autonomy. Historically, our nationality work faults, as expressed, on one hand, by our disregard for the existence of nationality characteristics and problems and our extension of class struggle, and, on the other, particularly by our lack of respect for the right to self-government of minority nationalities and our equating the powers of autonomous institutions with those of state organs in ordinary areas, have turned certain rights to self-government that are expressly provided by the Constitution into mere formalities. In a speech entitled "Reform of Party and State Leadership Systems," Comrade Deng Xiaoping said that "All nationalities must be allowed to practice genuine regional national autonomy." (Footnote 9) (*Selections from Deng Xiaoping* p 299) The key to practicing genuine regional national autonomy is ensuring that minority nationalities truly enjoy the right to full and extensive self-government.

3. Self-government is the key way to change the backward state of national autonomous areas and realize common prosperity for all nationalities. Historical factors have left the development of China's various nationalities extremely uneven in areas, such as politics, economics, and education, and great disparities between most minority nationality regions and Han nationality regions. In order to change as quickly as possible the backward state of minority nationality regions, and enable all minority nationalities to climb up into the ranks of advanced nationalities, the Constitution and the RNA Law have provided that autonomous institutions in national autonomous areas enjoy more decision-making power than ordinary areas, can implement national laws and policies in accordance with the actual conditions in their native areas and, as long as they do not violate the Constitution and law, have the right to adopt special policies and take flexible steps in order to speed up the economic and cultural development of national autonomous areas. The full enjoyment and genuine practice of self-government are the key guarantees that will enable minority nationalities and national autonomous areas to thoroughly change their backward conditions.

V. The Basic Principles That Should Be Observed by Autonomous Institutions Practicing Self-Government

How should autonomous institutions practice self-government? While there are many issues here that must be constantly explored and summed up through practice,

autonomous institutions in all national autonomous areas must jointly observe the following few basic principles:

1. They must act in accordance with the law and observe all legal principles. Autonomous institutions practicing self-government must comply with the provisions of the Constitution, the RNA Law, and other laws, adhere to the four basic principles, uphold national unity, submit to the unified leadership of the central government, ensure that the Constitution and laws are observed and enforced in their native regions, take active steps to fulfill all tasks assigned to them by higher-level state organs, and safeguard and develop the socialist nationality relations of equality, unity, and mutual aid for all nationalities

2. Autonomous institutions must proceed from actual conditions and be practical and realistic. As all of China's various minority nationalities have their own distinguishing features that differ in thousands of ways as regards production, lifestyle, customs, and habits, as well as very uneven levels of social, economic, and cultural development and even greater disparities in comparison to Han nationality regions in particular, our work in national autonomous areas must absolutely not copy indiscriminately the patterns and experiences of that in Han nationality regions. In its general provisions on the issue of self-government in autonomous institutions, the Constitution clearly stipulates that autonomous institutions can, in accordance with "the limits of authority as prescribed by law, practice self-government and implement national laws and policies in line with the actual conditions in their native regions." In its specific provisions on self-government in autonomous institutions, the RNA Law contains many clauses that repeatedly emphasize that autonomous institutions practicing self-government must act in ways, such as in accordance with "the political, economic, and cultural characteristics of local nationalities," in line with "actual local needs," on the basis of "the characteristics and needs of native regions," according to "the economic development characteristics of native regions," based on "the financial, material, and other specific conditions of native regions," and in light of "the actual conditions in native regions." All of this shows that the intent of the self-government enjoyed by autonomous institutions, as prescribed by the Constitution and law, is to enable autonomous institutions to proceed from the distinguishing features and actual conditions of local nationalities and native regions when implementing national laws and policies, in order to speed up the economic and cultural development of national autonomous areas.

3. Autonomous institutions must reflect the aspirations and represent the interests of the people of all nationalities in national autonomous areas. China's regional national autonomy is based in the areas inhabited by minority nationalities. National autonomous areas have both the nationalities that hold the regional autonomy and also other minority nationalities and the Han nationality. As all of these nationalities have political

and legal equality, are the masters in their autonomous areas, enjoy all rights granted by the Constitution and law, and should enjoy all of the benefits that go with the right to self-government, their exercise of self-government should generally reflect the aspirations and demands and represent the interests of the people of all nationalities in autonomous areas. Moreover, it should also pay attention to showing respect for the special rights of the nationalities that hold the regional autonomy, give consideration to the special interests of both the nationalities that hold the regional autonomy and also other minority nationalities and uphold unity among and contribute to the common prosperity of all nationalities.

As far as self-government in autonomous institutions in national autonomous areas is concerned, while the RNA Law has achieved certain successes in the seven years since it was officially issued, certain problems still exist.

In order to implement the Constitution and the RNA Law conscientiously, and develop regional national autonomous areas politically, economically, and culturally, autonomous institutions at all levels should practice self-government conscientiously. While the exercise of self-government requires help and support from higher-level state organs, it even more so requires a spirit of development initiative by autonomous institutions. How can autonomous institutions in national autonomous areas practice self-government well, flexibly, and adequately? 1) They must have a sense of urgency and responsibility. As autonomous institutions are entrusted

with the difficult tasks of speeding up the economic and cultural development of national autonomous areas and promoting the common prosperity of all nationalities, and as practicing well the self-government that is legally entrusted to them is the key way to fulfill this glorious mission, they must adapt to current conditions by strengthening their sense of responsibility toward self-government, applying self-government boldly, and practicing self-government justly, forcefully, and legally. 2) Autonomous institutions must be good at practicing self-government, by taking active steps to gain leadership and help from higher-level state organs. Whenever they run into resolutions, decisions, orders, or instructions from higher-level state organs that are out of line with the actual conditions in national autonomous areas, they should take the initiative to report them and request instructions, make rational suggestions, and change their tendency to be satisfied with the status quo. 3) They must display a spirit of development initiative. In order to practice self-government well, autonomous institutions must intensify their studies, gain a thorough understanding of the distinguishing features of their native regions and local nationalities, bring their "decisionmaking power" into full play, and adopt correct and well-aimed special policies and flexible measures. As legal self-government is certainly not a ready-made magic weapon, its practice must undergo a process of understanding, digestion, assimilation, and creation. It is impossible to apply self-government well without grasping thoroughly the spirit of the law and the higher authorities and without understanding one's own conditions in full detail.

6th Naphtha Cracker Plant To Boost Growth

91CE0773A Hong Kong CHING-CHI TAO-PAO
[ECONOMIC REPORTER] in Chinese No 33,
19 Aug 91 p 30

[Article by Feng Sung (2800 2646): "Decision Taken on Sixth Naphtha Cracker Plant Project"]

[Text] After four years and 10 months of delays and many twists and turns, Tansu Enterprises has finally decided to build the sixth naphtha cracker plant at Yunlinmmailiao in Taiwan. The project has a price tag of 90 billion taibi and includes the construction of a light crude splitting plant with an annual production capacity of 450,000 tons of ethylene, a refinery, 24 petrochemical plants, and a certain number of gas and electric plants and heavy machinery plants. Construction is scheduled to begin next April for completion by 1994.

Causes of Delays

The idea of building a sixth naphtha cracker plant was first raised in 1973. In the subsequent years the proposal was revived and rejected twice. Finally in August 1986, Taisu put forward the idea for the fourth time and was given the nod. By then, however, the environmentalist movement was riding high in Taiwan. What followed was a protracted debate lasting almost five years over the choice of a site between Yilanlitse, Taoyuankuanyin, Yunlinmmailiao, and Chiayiaogu. In 1988, Taisu built the seventh naphtha cracker plant in the United States. In 1989, Wang Yungching [3769 3057 1987] paid a secret visit to the mainland with plans to build a plant there. A hai-tsang also was planned. At the time rumors were rife that Taisu was using this as a bargaining chip to extract approval as well as preferential terms from the Taiwan Government. Others suggested that it was taking advantage of the situation to speculate in land. According to the Taiwan Government and Taisu Enterprises, these are the principal reasons for the delay: 1) the surveying and assessment that site selection requires; and 2) government-mandated examination and approval procedures, such as regulations on the industrial zone on Yunlin Island and privately owned light crude refineries.

Capital and Its Deployment

How Taisu proposes to raise and spend the huge amount of capital required by the construction of the plant is of intense interest to the business community.

Reportedly Taisu is going to raise capital in the following four ways: 1) turning profits into capital; 2) using cash as capital; 3) issuing bonds overseas; and 4) borrowing from banks at home and abroad. Domestically raised capital will come mainly from the three flagship companies in Taiwan: Taisu, Nanya, and Taihua. (Back in 1987, these three companies already started raising capital to build plants related to the project by turning profits into capital.) According to Taisu's internal analyses, to prevent the capital of the three companies from over-expansion, in the future funds should be raised mainly

by turning profits into capital, issuing bonds overseas, and borrowing from banks, while the method of using cash as capital should apply mostly to the American company only. Apart from land acquisition and plant construction, the money would also be spent to pay for cutting-edge technology and equipment from overseas. In the future the plan is for Taisu, Nanya, and Taihua to build factories for their respective products, instead of having Taisu alone assuming full responsibility for plant construction.

Preferential Treatment and Benefits

Based on the agreement reached late last year between the Ministry of Finance and the Ministry of Economic Affairs, any project proposed before the end of last year that meets the requirements for preferential treatment and that goes into production within three years, that is, by 1993, would be exempt from paying income tax for five years. In addition, since its construction takes place when regulations designed to encourage industrial transformation are in effect, it will enjoy these four kinds of preferential treatment: 1) As the selected site complies with regulations intended to encourage investment in impoverished areas, income tax on 20 percent of its investment will be payable at a reduced rate; 2) Since the sixth naphtha cracker plant is a key investment project, individual shareholders and legal-person shareholders shall pay income tax on 20 percent of the value of their shares at a reduced rate for two years after buying the shares; 3) The plant shall pay income tax at a reduced rate on 20 percent of the price of anti-pollution equipment purchased in Taiwan and on 15 percent of the price of such equipment purchased abroad; and 4) It can retain its profits provided they do not exceed 200 percent of the project's capital. Nor does it have to pay taxes on them. The Ministry of Finance proposes to include the project in the six-year national plan as a model private enterprise that participates in public construction and as such enjoys preferential tax treatment.

Impact and Economic Spin-Offs

Besides creating job opportunities for 400,000 people, generating \$1 billion in revenue annually for the central and local governments, and reclaiming 800 hectares of land, the plant will directly boost economic growth in Taiwan and expedite the transformation of the industrial structure. It will have the following major positive effects:

Stimulating economic growth directly. According to projections by the planning office of the Executive Yuan, assuming that investment in the plant is spread over four years, or \$22.5 billion annually, then the GNP will increase 0.5 percent, boosting the economic growth rate 0.5 percentage point.

Buying time for industrial transformation. Taiwan's premier industry, the petrochemical industry accounts for 28 percent of the annual output value of the entire manufacturing sector. At present the annual output of

ethylene, the very symbol of the petrochemical industry in Taiwan, is only 800,000 tons. After it goes into production, the sixth naphtha cracker plant, China Petroleum, and the fifth naphtha cracker plant will produce 1.45 million tons of ethylene between them each year, thereby achieving self-sufficiency.

Lifting private investment from its doldrums. According to statistics, private investment in Taiwan fell 5.8 percent and 0.3 percent, respectively, in the last two years. Preliminary projections put private investment this year at \$500 billion, including \$200 billion in the manufacturing sector. Assuming that Taisu will invest \$22.5 billion each year, it will increase investment in the manufacturing sector by 11.3 percent and boost private investment by 4.5 percent.

Fueling simultaneous development in petrochemical-related industries. Through the chain effects of investment, the sixth naphtha cracker plant will inevitably fuel growth in Taiwan's import trade and the plastic, automobile, electronic, and textile industries. Moreover, intermediate raw materials processed and produced by the Taisu group will certainly find their way into plants at the intermediate and end stages of the manufacturing process, thus promoting the development of those plants. Experts estimate the economic spin-offs of the plant to be worth a whopping \$800 billion.

Despite its bright outlook, the plant also faces a range of problems and uncertainties such as rising construction costs, labor shortages, and escalating costs. On the environmental protection front, land subsidence, saline corrosion, and the cooling of water resources are the trickiest problems. Meanwhile, the petrochemical industries of South Korea and China mainland, Taiwan's top competitors, getting stronger and stronger each day and pose a threat.

Whither Hai-tsang?

Now that a site has been picked for the sixth naphtha cracker plant, the future of the Hai-tsang project on the mainland has become a focus of attention on both sides of the Taiwan Strait. So far top officials from Taisu have all refused to say definitely whether or not the picking of the site will have any effect on the Hai-tsang project. According to analyses by the Taiwan press, should Taisu, Taiwan's largest private enterprise, decide to go ahead with its multi-billion dollar project, it will deal a severe blow to Taiwan's ban on direct private investment in the mainland. Moreover, the petrochemical industry is of overwhelming importance to the Taiwan economy. In working out a deal on the sixth naphtha cracker plant, the Taiwan Government has publicly declared that it would "not allow the petrochemical industry to invest and build plants on the mainland in the near future" and said it "does not expect the Hai-tsang project to go ahead" at the present stage.

The business community in Taiwan also thinks that at a time when a free market is still nonexistent in the mainland, it will be difficult to run an enterprise as one wishes. The constraints imposed by existing Taiwan laws and regulations as well as Taisu's plan to expand its petrochemical presence in the United States and its current preoccupation with getting the sixth naphtha cracker plant project off the ground mean that the Hai-tsang plant will be put on the back burner.

Despite uncertainty surrounding capital construction, operations, and competitiveness in the future, the sixth naphtha cracker plant is now a reality. How will it really work out? What are its prospects? One can only wait and see.

CBC Urged To Resume Forward Currency Trading

*OW2210120291 Taipei CNA in English 0758 GMT
22 Oct 91*

[Text] Taipei, Oct. 22 (CNA)—The Central Bank of China (CBC) should allow the resumption of forward foreign exchange trading as soon as possible to provide an instrument for local businessmen to hedge against currency fluctuations, Economic Affairs Minister Hsiao Wan-Chang said Monday.

In line with the government's policy of financial liberalization, Hsiao said, the national currency is certain to fluctuate even more sharply than before. Under this circumstance, he said, the Central Bank must permit forward foreign exchange trading so that local traders can hedge against currency fluctuations.

Forward foreign exchange trading permits the sale or purchase of a specific amount of foreign currency at a price specified now with settlement at a specified future date.

The Central Bank stopped forward currency trading shortly after such trading was begun in October 1987 due to rampant speculation in the local foreign exchange market.

Since the domestic economic situation has changed greatly in the past few years, CBC Governor Samuel Shieh promised earlier to resume forward foreign exchange trading before the end of October.

Shieh, however, did not give a definite response to the issue while testifying before a Legislative Yuan Committee meeting Monday. He instead said the Central Bank is still pondering the issue.

The nation's top banker pointed out that forward trading is a "means," not an "end." He urged local people not to be unrealistic and expect too much of such trading. As forward trading is more likely to be affected by market expectations than spot trading, he noted, the practice tends to trigger dramatic fluctuations on the foreign exchange market.

The Central Bank will decide whether or not to resume forward trading after carefully weighing the domestic economic situation and general world financial trends, Shieh added.

Europe To Become Second Largest Trading Partner

*OW1211090591 Taipei CNA in English 0823 GMT
12 Nov 91*

[Text] Taipei, Nov. 12 (CNA)—Europe will become Taiwan's biggest trade partner by the year 2000, Vice Economics Minister P.K. Chiang reported Monday.

Europe has replaced Japan as the nation's second biggest exports market. Two-way trade between Taiwan and

Europe, reaching US\$18 billion last year, accounted for 18 percent of the island's foreign trade, Chiang explained. By the year 2000, bilateral trade is expected to account for 30 percent of Taiwan's exports and imports, Chiang added.

Chiang made his remarks while reporting to a joint meeting of the Foreign Affairs and Economics Committees of the Legislative Yuan.

ADB To Float Bonds

*OW0711081191 Taipei CNA in English 0740 GMT
7 Nov 91*

[Text] Taipei, Nov. 7 (CNA)—Central Bank of China Governor Samuel Shieh said Wednesday that he and Asian Development Bank [ADB] Governor Kimimasa Tarumizu will sign on 20 November in Taipei a contract on the floating of 100 million U.S. dollar worth of ADB bonds in Taiwan.

Tarumizu is scheduled to visit Taipei Nov. 18-20. While here, he will also call on high-ranking economic and financial officials.

The ADB will also float the so-called "Little Dragon Bonds" in Hong Kong and Singapore.

R&D Centers To Be Set Up for Six Industries

*OW0111111691 Taipei CNA in English 0802 GMT
1 Nov 91*

[Text] Taipei, Nov. 1 (CNA)—The Ministry of Economic Affairs (MOEA) is planning to allocate 640 million NT [new Taiwan] dollars to establish research and development centers for six industries.

The six are bicycles, shoe design, precision machinery, plastics, printing and pharmaceuticals.

In addition to providing financial help during preliminary stages, MOEA said it will assist their technology research and development.

MOEA said small and medium enterprises, long regarded as the backbone of the nation's economic development, need to unite to upgrade their research and development capabilities. The ministry hopes business and industrial enterprises may overcome their technology development bottlenecks through the centers.

MOEA said the domestic bicycle industry has developed well but depends on Japanese imports for components and parts, and this is one of factors widening the nation's trade deficit with Japan.

Developing sophisticated gears will thus be a main project at the proposed center.

The shoe making industry, Taiwan's third biggest export industry, was not able to reach the upscale markets because it has not improved its design and shoe making materials, the ministry said. Improving shoe design and

developing new and better shoe materials will be a vital concern at the proposed shoe research and development center.

Taiwan's precision machinery industry has focused on producing low end and low price products. The new center will aim at developing sophisticated technology for the further development of precision machinery.

Plastic processing is the nation's biggest industry but the added value of their products is not high. Thus, the ministry said, improving the structure of plastic industry to produce high value-added products will be a top concern at the center.

The printing industry produces mainly for domestic use, the planned center will help the industry improve its capacity to expand exports.

An estimated 60 billion NT dollar worth of medicine will be needed when the national health insurance program is implemented in 1994. The pharmaceutical industry should thus be upgraded to produce large quantities of high quality medicine, the ministry added.

Foreign Trade Breaks \$100 Billion Mark

OW3110101291 Taipei CNA in English 0801 GMT 31 Oct 91

[Text] Taipei, Oct. 31 (CNA)—The Republic of China's foreign trade has broken the \$100 billion mark this year, an official of the Council for Economic Planning and Development said today.

Customs statistics shows that foreign trade from Jan. 1 to Oct. 26 totaled \$113.45 billion, he said.

Exports during the period amounted to \$62.09 billion, a hike of 13.4 percent over a year ago. Imports totaled \$51.36 billion, up 15.6 percent. The trade surplus hit \$10.71 billion.

Foreign trade in the first 26 days of this month reached \$10.32 billion, with exports totaling \$5.71 billion.

KMT's Response to Soviet Coup Criticized

92CM0031A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 235, 15 Sep 91 pp 68-69

[Article by Li Wan-ts'un: "It Is the KMT That Should Really Have a Look at Itself in the 'Soviet Mirror'"]

[Text] There is a joke about God: God made a serious mistake in the process of creating man. Although he gave man a pair of eyes to see things, these eyes can only see the mistakes of others but cannot see his own mistakes.

This mistake of God is the most obvious in politicians. All those engaged in politics use their God-designed eyes to look upon their adversaries. They see others very clearly, but cannot see themselves clearly. Mistakes belong to others, but truth is always on the side of oneself.

In some respects, this perspective is very appropriate when used to observe the Kuomintang [KMT] of today. The KMT saw very clearly the recent Soviet coup and the subsequent series of changes. Li Teng-hui and Hao Po-ts'un separately convened respective high-level meetings to hear reports, and analyze the Soviet situation. Their conclusion was: "Democracy is an irresistible tide." They felt: "The CPC should learn a lesson from the change in the Soviet Union; don't reject the tide of democracy, and don't resist the trend of peaceful evolution."

However, the God-designed eyes made the KMT unable to see clearly its own situation. The "Soviet shock" shook every country, but the KMT still persists in using no change to deal with the changing, amidst such historical changes. They held meetings to examine others, but not to examine themselves. They believe the CPC should learn a lesson from the Soviet Union, but everything about the KMT is right. Hao Po-ts'un even admonished the people of Taiwan: "Communism will soon collapse, and we should not be thrown into confusion just on the verge of victory."

There are many examples of the KMT's inability to examine itself. For instance, after the Soviet coup, the big brother KGB was being fundamentally reformed; several thousand KGB officers fled to the Sino-Soviet borders in an effort to seek political asylum with the CPC. This is a big event in the intelligence history of the world. The disintegration of the KGB should somewhat "enlighten" the intelligence units of countries worldwide. All those engaged in the intelligence business should use the KGB as a mirror to look at themselves, but Taiwan's intelligence and security system do not have to learn a lesson.

In an effort to weaken the power of the General Garrison Command, Ch'en Lu-an decided to transfer the operation of controlling hoodlums to the police and the judiciary system, and wanted the General Garrison Command to change its name to suit its new role. However, the Garrison Commander Chou Chung-nan openly opposed his superior, and said: "The General Garrison Command 'cannot and will not' no longer be the highest public security institution." He also said: "Without the General Garrison Command, how do we have public security in Taiwan?" What is implied in these words is: The General Garrison Command cannot change its name, cannot but control hoodlums, and cannot be degraded from the position of the highest public security institution; otherwise, hoodlums will not be controlled, public security will not be taken care of, and Taiwan will be finished.

If Chou Chung-nan had used the KGB as a mirror, he would not have said these ridiculous things. The KGB's importance to the Soviet Communist Party and the Soviet Union was far greater than the General Garrison Command's importance to the KMT or to Taiwan. The KGB's power was also greater than anything that the General Garrison Command can hope to have. But after

an unsuccessful coup, the KGB immediately became the target of struggle and purge. The bronze statue of its founder was overthrown; its leaders and high-level officers were arrested; thousands of its officers fled to the border areas. The KGB's power was cut into pieces in a few days. If the devil-like KGB could have such a day, how can the General Garrison Command be so insolent?

Furthermore, in the past the KGB was viewed as the pillar of the Soviet state; without the KGB, there would be no security for the Soviet Union. That was what the Soviet leaders thought, what the KGB bosses thought, and even what many Soviet people thought. But, after the thorough reform of the KGB, the Soviet Union is even more democratic, and the Soviet people can only have more freedom. Even without the KGB, the Soviet Union would not be finished. There is not reason why Taiwan should not be the same, if the General Garrison Command is thoroughly reformed. Would Chou Chungan be so bold as to consider himself to be more capable than the KGB bosses in resisting the tide of democracy?

Another example of the KMT's inability to see clearly its own situation is its attitude towards Taiwan independence. During the period of Tangwai in the past, the KMT used the Martial Law and the Mobilization for Rebellion-Suppression Period as pretexts to repress opposition forces for 40 years, during which untold amounts of blood and tears were shed. Some people went to prison for organizing parties; some people went to prison for seeking freedom of speech; some people went to prison for participating in demonstrations; some people went to prison for criticizing the head of state or key political figures. "Thousands of mountains block one stream, resulting in loud noise from the stream day and night." This is a portrayal of Taiwan's politics during the period of Martial Law. But the present situation is characterized by "a torrential stream running out from the next village," and the KMT still says "no" and often "holds back" opposition forces.

Hao Po-ts'un said: "The government disagrees with the view advocating Taiwan independence." Key KMT political figures such as Li Teng-hui and Lin Yang-kang believe: "Taiwan independence is not feasible," and "Taiwan independence is the way to self-destruction." These words may come from the bottom of the heart, but "disagreeing" or "not feasible" does not indicate the criminality of the relevant speech. I do not agree with you, but I defend to the end your right to say it. What the KMT lacks is exactly such basic understanding about democracy.

In the past, many "thought criminals" were put into dark prisons because their speech was not in line with the views of the authorities who would fabricate criminal cases. At that time, if those who advocated unification or independence wrote or spoke about their ideas, what they wrote or spoke would become evidence of their thought crimes. Those in the intelligence business could judge whether their thinking was criminal or not. This was "an exclusive product" of Taiwan politics. If the

KMT advocates unification, then you cannot advocate Taiwan independence; otherwise you would be guilty of a crime. If the KMT advocates constitutional amendment, then you cannot advocate revising the constitution; otherwise, you would be destroying the constitutional regime. This is the KMT's "mentality of people in uniform." It demands "standardization" and "uniformity" in speech and behavior. If you are different from me, then you are wrong, or even guilty of a crime.

In the past, the KMT regarded opposition activists as monsters when they demanded the end to martial law; as rebels when they demanded to establish parties; as mobs when they demanded to demonstrate; as heretics when they demanded lifting prohibitions on newspapers. Now these demands are no longer taboo, and the KMT has already changed its tune. In the past, those who advocated "three exchanges" would be sent to prison, but now they are considered to be far-sighted. Even CPC officials can come to Taiwan without being accused of any crime. In this era of lifting prohibitions, only those who advocate Taiwan independence have still not been accommodated with the lifting of relevant prohibition. The KMT seems to have forgot its past mistakes of martial law, newspaper prohibition and party prohibition, as well as the price that it had to pay for the mistakes.

The KMT is a party with the longest history in Taiwan, but in practical politics the KMT is a party that lacks a sense of history. After over 40 years in power in Taiwan, the KMT does not lack people who understand politics and who are familiar with the law, but only lacks people who understand history. The significance of history to late-comers lies not in the stories about a dynasty or a person, but in the lessons contained in the stories. Regrettably, the KMT has not learned many historical lessons from its 40 years history in Taiwan.

In his recently published memoir, the former Soviet Foreign Minister Shevardnadze has the following to say about the reason for the failure of the conservative coup in the Soviet Union: "The coup plotters considered many things, but most importantly, failed to consider . . . the fact that the years of perestroika had taught us to shake off fear. We are no longer the same people, but they remained unchanged. Naturally, they could not conquer us."

If the KMT gives careful thought to the meaning of what Shevardnadze said, and turns its God-given eyes from looking at the Soviet Union and the CPC, to looking at Taiwan and at the opposition activists, the KMT might be able to see more clearly its own situation at present, and might be able to refrain from saying absurd things that it will regret in a few years, and in order to frighten others as well as itself.

Profile of Lu Hsiu-lien

92CM0029A Taipei TZULI WANPAO in Chinese
15 Sep 91 p 2

[Article by staff reporter Liu Ming-t'ang: "Lu Hsiu-lien: The Brave on the Road to the United Nations, the Wise on International Affairs"]

[Excerpt] [passage omitted] Lu Hsiu-lien's "basics" theory was demonstrated as early as the time when she joined the women's movement. At the end of the 1960's, Lu Hsiu-lien went to the United States for further study after graduating from the Law Department of Taiwan University. When she was abroad, the women's movement in the United States spread like wildfire. The news about the women's movement touched Lu Hsiu-lien, who began to collect the relevant information. After returning home in 1971, she began to publish articles in newspapers to discuss feminine consciousness, in the face of the domestic society's indifference to the equal rights of women, thereby playing the role of "explorer" for the long-dormant women's movement at home.

In 1978 the signs pointing in the direction of the establishment of diplomatic relations between the United States and the CPC were becoming increasingly clear. At that time, Lu Hsiu-lien was studying law at Harvard University in the United States, and saw the international situation turning against Taiwan. But the authorities in Taiwan persisted in turning their eyes away from the facts, and the controlled media would report only good news not bad news. Filled with apprehension, Lu Hsiu-lien gave up studies at Harvard and went home. Armed with penetrating insights on the international situation, she sounded alarm to the public, urged the people of Taiwan to think thoroughly about the crisis of the time, and seized the opportunity of entering the National Assembly representative election to state her views on the issue of Taiwan from an international perspective. Unfortunately, the nightmare turned into reality, and the United States unilaterally declared the termination of diplomatic relations with Taiwan. Many people when startled were awakened, but Lu Hsiu-lien was not surprised at all.

Lu Hsiu-lien's theory based on an international perspective also has had an impact on her later thinking about the issue of the future of Taiwan and on other movements in which she is engaged. For instance, she thought of organizing the Taiwan branch of Amnesty International to raise Taiwan's international horizon and international status; while pushing for a clean election movement, she invited foreign observer groups to Taiwan to watch elections; at the time of heated debate at home on unification and independence, Lu Hsiu-lien went to the Chinese mainland all by herself to see the situation there, and, upon returning, argued that "in discussing unification or independence, it is necessary to consider the military strength of the CPC," thus encouraging the independence activists to personally listen to the different views of people on the two sides of the straits.

Lu Hsiu-lien's argument about "the CPC military threat" naturally caused a lack of understanding from independence advocates on the island, but in fact Lu Hsiu-lien's basic tenet is to ensure Taiwan's security and to bridge the gaps between population groups on the island. Such a tenet also prompted her to launch the "I love Taiwan year" movement early this year, in the hope of dismantling the Berlin Wall in the mind of 20 million people.

Basically, Lu Hsiu-lien's position is pro-Taiwan independence. At the time of the Kaohsiung Incident, Lu Hsiu-lien did not shy away from the sensitive word "Taiwan," and put forward three proposals: Everyone was entitled to know the truth, to discuss freely the future of Taiwan, and to participate in the determination of the future of Taiwan. She published the book *The Past and Future of Taiwan*, which aroused objection from activists of the opposition movement of the time, and was banned in the end, bringing her the misfortune of a 12-year prison sentence related to the Kaohsiung Incident.

Lu Hsiu-lien's independence thinking is also informed by her theory based on an international perspective, and therefore she considers the Taiwan issue an international problem. She advocates that with international involvement Taiwan and the CPC sign a 50-year nonaggression treaty. Her independence ideas also include being realistic, and therefore she emphasizes that on unification or independence it is necessary to respect majority views in a democratic way. She has appealed that a mainland policy should first seek the unity of the 20 million people on Taiwan, and the welfare of Taiwan as the precondition.

In addition to pursuing political goals, Lu Hsiu-lien is a seeker and practitioner of "truth." During the Legislative Yuan and National Assembly member elections two years ago, aware of the perennial election corruption and disgusted with the dirty games of money-based elections, Lu Hsiu-lien called for the establishment of an election-cleaning alliance in a single-handed effort to fight the corrupt practice of election-related bribery. Although the indifferent public stood on the sideline and mocked her as being too naive, she did not show any weakening in her untiring will and her pursuit of the ideal. Some people were moved by her "foolishness," but there was no adequate manpower and funds. As a result, it was difficult for the cleaning alliance to achieve expected effects.

Around the time of the Conference on National Affairs, Lu Hsiu-lien was appointed by the Democratic Progressive Party [DPP], and participated in the Conference on National Affairs. But, after two days of meeting, she felt the governing party was insincere about reform, the DPP then demanded political redistribution, she declared her resignation from the conference as an act of "self admonition," alerting the conference participants and challenging the opposition DPP. At the same time, she attacked people on both sides, fully demonstrating her straightforwardness and her unbending character.

In fact, Lu Hsiu-lien also has a delicate and soft side. While in prison because of the Kaohsiung Incident, in addition to reading and writing, Lu Hsiu-lien also did needlework. According to Ch'en Chu who shared a prison cell with Lu Hsiu-lien, "*These Three Women* written by Hsiu-lien has characters who are independent but also delicate and soft, representing in fact portrayals of Hsiu-lien herself." Ch'en Chu learned embroidery and knitting from Lu Hsiu-lien in prison. In addition, Lu Hsiu-lien is an excellent cook and is admired by Ch'en Chu for that.

To alleviate hatred among groups based on provincial origins, Lu Hsiu-lien launched the "I love Taiwan year" movement, hoping to dismantle the Berlin Wall in the mind of the 20 million people on Taiwan. To force the old National-Assembly representatives to resign, Lu Hsiu-lien, amidst a wave of accusation against the old

thieves, "presented the people's will to the Grand Justice," demanding the termination of the unconstitutional position and power of the old thieves. To establish a constitutional consensus among the people, Lu Hsiu-lien quietly published *The ABC's of Constitution*, to promote the public's understanding about constitution. In the movements of political and social reforms in Taiwan, Lu Hsiu-lien does not lag behind, but her moderate actions tend to be ignored by the government and the public. Fortunately, the actions of the "Advocating Group on Joining the United Nations" received widespread applause from the public and produced immediate pressure on the governing party, because of the good timing. As for what effects the advocating group can produce by playing the international card, the answer would be as Lu Hsiu-lien said: "To join the United Nations, Taiwan must be prepared for a long fight."

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